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ABSTRACT

In addition to general session addresses and the dialogue at 14 workshops, these proceedings include the treasurer's report and lists of committee members, board of directors, exhibitors, and participants. Workshop topics are: "A Good Manager--From a Personnel View," "Effective Use of Specialized Consultants," "Public Utilities," "Computer Specialists," "Word Processing Systems in Educational Administration," "Evaluating the Performance of a Purchasing Department," "Minority Vendors," "OSHA Now," "Freight Damage Claims," "Evaluation Round Table," "Purchasing to Protect the Environment," "Large Schools Problems Clinic," "Small Schools Problems Clinic," and "Junior/Community College Seminar." (Author/MLF)

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52nd ANNUAL MEETING PROCEEDINGS

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52ND ANNUAL MEETING

of the

NATIONAL ASSOCIATION OF EDUCATIONAL BUYERS

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GENERAL SESSION

TUESDAY MORNING, MAY 8, 1973

The 52nd Annual Meeting of the National Association of Educational Buyers was convened at 10:05 a.m. C. R. Peterson, Purchasing Agent, Brigham Young University; President, NAEB, presiding.

The invocation was given by Wilton L. Fleming, Purchasing Agent, North Carolina State University.

President Peterson: I welcome you to Las Vegas. We have a fine program planned, many exhibits, and we're glad that you are here. We know that you will learn a lot which will make you more valuable to your institutions and which will make your work easier.

We encourage you to attend the workshops of your choice and to spend as much time as you can in the exhibit area. We would like you to prove to yourselves and your institutions that "NAEB doesn't cost — it pays."

Mr. William Haywood, President of NACUBO, was to be our speaker from NACUBO this morning. He called to say that it would be impossible for him to be here and that he had asked Mr. Robert Gilmore, Vice President for Business and Finance, California Institute of Technology and a member of the NACUBO Board to take his place.

Mr. Gilmore: I am very glad to be here and I not only welcome you to the western part of the country, but I bring you the greetings of Bill Haywood, President of NACUBO, who telephoned me a few days ago to say that something had arisen that pinned him down on his own campus at Mercer. He asked if I could represent NACUBO and represent Bill personnally.

How are you perceived by NACUBO? You are perceived by NACUBO as a very strong and effective association. You have an objective that ties closely to one of NACUBO's own which is moving forward with professionalism in your own field. You have done an outstanding job in addressing the question of professional ethics in a field where this can be very sensitive. You have dealt with it in a straightforward, clear-cut fashion.

What is professionalism? Let's say it is that blend of the technology, the art, with administrative skills which just add up to good management. I think that is what we are all interested in and we all have more work to do.

You are well-noted for your educational and professional development activities — your purchasing institutes — which, like the NACUBO workshops and instructional efforts, are extremely important to all of us.

What does your Association do? Like NACUBO it provides a meeting place and a structure which encourages individuals to work together on problem-solving, on learning, advancing the state of the art and sharing and communicating information.

You know the importance of top quality staffing for your Association to keep it effective and to provide that undergirding and continuity. And I think that you are fortunate and we are fortunate in the staff executives that we have. We have one of your alumni, as you know, in NACUBO.

I think this past year has been characterized by a new level of cooperative effort among the several specialized business related associations. One area in which this working together has been expanded is that of the revision of the 1968 Volume, "College and University Business Administration." NACUBO turned directly to those administrators involved in the field and said, "You are the experts. You write the chapter or chapters." This has worked and I think it has drawn us closer together and given each of us a greater appreciation for what the other is doing. Some of the other specialized business officers' associations, such as Plant, Personnel, saw an advantage in consolidating their own association headquarters offices into the same office suite as NACUBO. They felt that the consolidation would make them even more effective and it brings them closer to the central arena of activity, the nation's Capitol. I would suggest that you give consideration to moving your Association headquarters down into the Dupont Plaza area, not as a place to lose your identity but to expand your impact.

We have 150 people at work in NACUBO committees. I would like to mention that one that I think has a broad impact on the industry, and this is called "The Resource Planning and Management Committee." This is composed of six or seven business officers and it is now coupled with an American task force.

What is this all about? It is an attempt to deal in a coordinated way and on a partnership basis between NACUBO and the American Council on Education with the new and unanswered question: What does education cost? What are your unit costs? We are told that our financial statements, just don't make sense. As a result of this, efforts outside the industry are well-established, The National Commission on Higher Education Management Systems, The National Center for Educational Statistics within the Department of Health, Education and Welfare, and a new commission, the National Commission on the Financing of Postsecondary Education are all involved. We have to be a part of it and must have an effective team of our best people. This work is under way. It is terribly important that it be successful. I believe we do, in fact, have our best people at work and that it will be successful.

Thank you for inviting me. Best wishes from NACUBO. Have a good meeting.

President Peterson: Mr. Gilmore, we thank you for coming. We have considered suggestions about moving the national office to Washington, D. C., but it has always been felt that we are happy where we are. Of course, this is something that can be discussed at a later time among our Executive Committee members.

Our keynote speaker this morning is James L. Adams the Business Manager of Duke University. Mr. Adams received his B.B.A. degree at the University of Mississippi in 1952; his M.B.A. at Rollins College in 1962. He has had fifteen years of management experience; nine years in general management, four years in financial, marketing and contract management and two years in specialized purchasing. For the last six years, he has been Business Manager at Duke University and responsible for the profit position of three major auxiliaries **grossing in excess of 6.5 million annually** — stores, dining halls and housing. In addition he is responsible for all material management functions, physical plant operations, traffic and police departments. His total budgetary responsibility is approximately $9.2 million in six departments encompassing 750 union and nonunion people.

The seven preceding years were spent in profit-making organizations with

successively greater responsibilities. He has spent five years as a U. S. Air Force communications intelligence officer.

Mr. James L. Adams, Business Manager, Duke University: I thank you for the opportunity to come out here. I want to share with you some thoughts I have and to talk to you about your topic "The Professional Approach," in a slightly different manner than what you might expect. I asked myself a couple of questions in preparation for this talk: (1) What was my purpose in being here? and (2) What subject would I address you on that was the most important professionally, since this is the theme of your meeting? I came to the conclusion that my purpose in being here was no more than to stimulate you with some new ideas and new thought patterns. I want to share with you something that you can latch onto to help you in your development as a professional purchasing man or woman and something that you can also share with your institution.

I thought I would try to draw on that very competitive nature that is found in all good purchasing people — "I can get it cheaper, faster, better, with more service, than any guy alive." When you stop thinking that, you're going downhill. That spirit is in every one of you out there. I want to exploit that competitiveness, if I can and ask you to think about a couple of words: citizenship and scholarship. I want to develop that theme and talk about what we can do to promote better scholarship at our institutions.

Maybe you're asking, "What's he talking about? I'm a good citizen. I contribute to society." I am not trying to challenge that. During these next four days, we've got to start thinking in the future, not in the past. For the next few minutes, I am going to ask you to let down your defenses. You are in a risk-free situation. You don't have to respond to anything I say. It's not going to cost you a nickel. Let's just sit back and see if you can accept some of these things I am going to propose to you.

First, let's explore our own attitudes and personalities and those of the organization or institution we work for. Let's look at these attitudes and personalities in view of that one big "no-no" word we don't like to hear — change. "Change" is a dreaded word; it's a horror of horrors, because when you say "change," you are asking someone to step out into a twilight zone. There are no touchstones out there. Change is affecting the way we think about ourselves and our families; it is affecting the way we try to rear our children and how we try to communicate with the young people that we are trying to educate at our institutions; it is affecting the institutional management policies that we have. We have difficulty in middle management talking to top management. It affects everything we do.

As professional institutional managers, you have but two choices: You can forget that change is here and, by so doing, you can forego your commitment to creativity and promotion of that citizenship — scholarship formula. Or, as professional institutional managers you can choose to be more creative and provide the leadership and understanding required today and in the years to come.

I am sure most of you have heard of or read Alvin Toffler's book called "Future Shock." I am going to use a couple examples just to show you the kind of change that we are in. Toffler said if you take the last 50,000 years of mankind's development and you divide it into 800 equal parts of sixty-two lifetimes each, the first 650 of those lifetimes were lived in caves. So it means that we have been out of the caves only 150 lifetimes. Of those 150 lifetimes, only during the last seventy have we communicated effectively with each other and been able to pass intelligence from one lifetime to the next; i.e., the printed word. Only during four of these

lifetimes has mankind been able to measure time with precision. Only in the last two of those lifetimes has anyone ever used an electric motor. The overwhelming majority of material things ever produced have been produced in your lifetime. If you stop to think about the impact that that has on how we think about our value system, our principles, our philosophies as people of an organization, it is overwhelming.

Let's look at it another way: in terms of the children we are trying to educate in our institutions and in our homes. Advanced societies in the world today, being those societies with a Gross National Product exceeding a certain percent (Japan, Sweden, Germany, the United States, for example) double the productive output of the world every fifteen years. Every fifteen years, you are literally surrounded by twice as much as you were fifteen years before that. Your fifteen-year-old sons and daughters and basically the kids that are freshmen in college today are literally surrounded by twice as much. It's a throw-away generation. Value systems change because of it. Your value systems have got to change if you want to become those professionals who are going to carry us through the eighties and the nineties.

The challenge today is to live in this world and understand it, not to look back, accept the fact that these changes are here, that they are not going to go away, and decide what we are going to do as professionals to overcome them, live with them and to change ourselves.

You have to ask yourself a question. Are you, as an individual in an organization, prepared to strive for the organizational and personal removal required to meet this challenge of change?

Forty percent of the items on your agenda for these next three days would probably not have been on there ten or fifteen years ago. One of them is the matter of federal safety. Nobody worried about federal safety programs ten years ago, but it's here and it is having an impact on you. Another item in the social area — minority vendor considerations. A third one is hiring practices and federal laws. And a fourth one is "Purchasing to Protect the Environment." You also have to be not only skilled in low price and quick delivery; you have to be skilled as an environmentalist. I don't say this facetiously. The world is changing. You're recognizing it yourselves.

I have been keeping a record of the topics of discussion in our staff meetings the last six months or so. Roughly forty percent of the things we discuss are related to the Federal Government or the federal law or some external influence on our institution over which we have very little control. So your forty percent matches with my forty percent.

It is time that we stop worrying about beards, beads, bangles and bare feet, and start worrying about some things that are more important.

You say, "But if I get out in my world, I don't have any touchstones. I don't know where I am. I don't know how to prepare for this." I do not have the answers myself, but I do have an approach. Let's create some touchstones; some new things we can be proud of; some things about which NAEB can say, "We did this. As people we did this; as an organization we did this."

I read a lot of trade magazines and reports on meetings such as this. They all stress "How I did" thus and so or "How to" or "What I did to cut the cost." These are very important things to share with each other. Notice, they are couched in the past tense. What we have to be concerned with is how we are going to do something tomorrow. The problem is that we have all been trained, everyone here perhaps, in the industrial concept of business management. Your purchasing system is

more than likely based on the military system of the generation of the requisition in six parts, signed off, stamped, numbered, collected, distributed in a split-up, mailed, filed. And you had better have everybody's signature on it when the auditor comes down. Well, there is a reason for that. But that is an industrial approach to purchasing in a very flexible institutional world. There is nothing wrong with it except that it is not meeting the requirements in an institutional environment.

What is this organization renewal, this personal renewal, this personal rededication all about?

Jim DeLeo back at Duke, our Director of the Training Program, and I kind of coined a little expression — "a world of lines and circles." Organizational charts are the first things that come to your mind. Nice neat lines and blocks and everyone knows what they're doing or supposed to be doing. A world of lines, the industrial-military approach. On the other side, we try to implement that kind of system in a world of circles. It is a comparison of rigidity versus almost total flexibility. You have this world of lines and circles that we deal in.

Another example of the lines is the Harvard Business School approach. That is the world of lines; structure, organization, procedure, policy guidelines, chain of command, span of control, budgets, inventory systems, forms. These are things that are just bad news when you start talking to faculty people. So we constantly have this rub, this inefficiency, this ineffectiveness built in.

On the other hand, the world of circles is this relatively unstructured system. The main difference is that in the lines world we contribute through the organization and our contribution is one or organizational contribution, but in the academic world, the contribution is to their discipline. They say that the greatest contribution can be made by contributing to the discipline, "and don't tell me about these forms." They are loyal to their discipline and the organization comes second. How can we possibly expect such a system to get us where we have to go in this changing world? This is just not going to do it and it is a concern to me.

Jim and I said, "What we need are not lines and circles. What we need are some curlicues. We need some of both." We need not compromise any of our specialized principles, but, by the same token, we have got to give and we have got to open up our minds to a new way of doing things.

I think we got to this point by not recognizing that this world was moving and changing as fast as it was. By necessity, we touched those things and felt those things and relied on those things that were most comforting to us, what we have been taught; what we have experienced. It is human nature not to want to change that.

I believe that there are some shades of grey in this thing, that it is not all a black and white situation. I believe that an approach is at hand that can stop this ongoing conflict of lines and circles. The first thing is that we have got to stop being called administrators. One definition of an administrator is that person who administers to the needs of someone; in this case, the faculty, the students. It also implies a maintenance of the status quo. How can you possibly succeed in a changing world by maintaining the status quo? That is just absolutely in conflict. We can't do what we want to do as a national organization and as people by maintaining the status quo. So we have got to stop being termed administrators and start thinking of ourselves as managers of environment, managers of resources, and we have got to start managing effectively both those influences that are internal to the organization as well as these external influences over which we have no control.

The approach is to let your mind go. Develop an awareness within yourself that there is something wrong. As I say, I don't have the answer. We have the lines and circles sitting there just pounding each other daily. It is just not going to provide education in the eighties and nineties.

One approach is to train ourselves with a degree program in institutional management. Not the pure industrial approach and not the pure academic approach. Somewhere there has got to be a common ground. I would suggest a formal degree program as one approach.

There is another way you can think of this conflict and get the full impact. We often hear the term "labor-management relations." If you are thinking of yourselves as educational managers in the industrial concept, how is it that we can manage a union of faculty members?

What I am trying to say is that what we have in the way of background and training in an industrial world is just not going to do it.

Let me summarize. First, we have to become aware that our traditional approaches are just not going to meet the needs of the eighties and nineties, that they will not meet the needs of you as a person, you as a professional buyer, that they will not meet the needs of your institution, and they certainly are not going to promote good citizenship which is going to foster good scholarship later on.

Second, we can't afford the luxury of choosing between lines and circles, between industrial and academic approach. We have got to choose some of these curlicues that I was mentioning. We have got to start training people as 1970-80-90 professionals now, not untraining them from the industrial world. We have got to start with original training of educational managers.

Institutional buying, has great visibility to top management. Paul Bacon knows you can't measure it finitely, but there is some degree of measurement you can put on it. With that visibility and the professional prestige approach that this organization, as a group, has attained, it seems to me that NAEB is in an excellent position to join forces with some of these other educational associations to see what kind of thoughts we can share. Somebody has to take the lead in original training of the professional manager, and I would like to see NAEB take the forefront on that. We have to do something and why not let NAEB be the leader in taking us into the eighties and into the nineties. That is my challenge to you as a person and as an organization. Thank you. (Applause)

President Peterson: Thank you, Jim, for your fine message and for your challenge. NAEB will try to be the leaders.

We have asked Earl F. Newland, Vice President of NAEB and our President-Elect for next year, to conduct the Question Box. Earl is Director of Purchasing at Baylor University, Waco, Texas.

Chairman Newland: Actually, this is probably the most profitable time that I get at NAEB, and it is because I have gained information from those of you who have it. The first question is: "Should you buy your own telephone system? And, if so, who from and what are the hookup problems? How will it affect remote complexes? Is size a determining factor? Who has taken the plunge?"

Richard D. Struthers, Director of Purchases, Governors State University, Park Forest South, Illinois: The State of Illinois, Division of Telecommunications, has just recently received bids on a telephone system for our university. There were three bidders of about eleven firms invited. General Telephone was one, Corflex was one and Illinois Bell was the other one. It appears that the recommendation is going to be the Corflex System, providing Stromberg-Carlson equipment. The proj-

ect was bid rather than automatically awarded to Illinois Bell because of an effort on the part of Telecommunications to try to develop a competitive system for awarding this kind of thing. We are very satisfied with the kind of features that these firms are able to provide. We have yet to find out whether or not they can keep them running. So maybe next year we can give you more information on how well they are able to say what they are going to do.

James L. Adams: I am not in the communications business at Duke and I can only speak about it from a private institutional point of view. Since 1930, Duke has owned their own telephone system with all the instruments, the lines, the switching gears, the whole thing. We have treated it as a department. We are now in the process of incorporating this telephone division into a separate corporation. As the department now stands, we are just a subscriber to the General Telephone which serves our area. So every time we place a long distanc call, that revenue goes to General Tel. We see a chance of making some money.

If you are interested, the man you would contact at Duke is Mr. Kenneth Howard. His address is 01 Allen Building, Duke University, Durham, North Carolina.

Chairman Newland: The second question is: How do you buy utilities -- gas, electricity, and so forth?"

Mr. Richard O. Jones, Director, Support Services, Yale University: We have a workshop on that subject this afternoon. If you are interested in that subject, why don't you come by this afternoon.

Chairman Newland: So now you know Dick Jones and you will known where to get some answers on that subject. Do we have a question from the floor?

Mr. A. Roy Boulter, Purchasing Agent-Manager, Church of Jesus Christ of Latter Day Saints, Salt Lake City, Utah: We have just recently tested and are doing a standardization on carpet, particularly nylon Antron II fiber. We are interested in getting information from any of you who have had tests, studies or actual experience in carpet as a floor covering versus vinyl tile or other floor coverings in the types of areas that you put them in.

Chairman Newland: Where is Bruce Hawley? Bruce, didn't you do a big investigation on that subject?

Mr. Hawley: I can't tell you about it now, Earl, but I will be glad to communicate with him.

Mr. Richard M. Blakeman: Director of Purchasing, University of Delaware, Newark, Delaware: We use Antron II in new buildings. Sometimes they glue it to the floor. We have made tests on gluing it to the floor and putting a padding under it. We find that the Antron II, which is a type of nylon, will wear just as good glued to the concrete floor as it will with a pad.

In some instances, we like to have a pad down. In that case, we wouldn't use anything but Numacel which is a new pad put out by Dupont that is fire-retarding and nonallergenic. It's just tremendous to walk on under a carpet. I highly recommend that you investigate it.

Dupont is continuing tests on that. We have a test running at the University of Delaware now with Numacel, rubber and all the other types of fiber underpinning, and in our experience there is nothing that even comes close to it. It will cost you about 20% more than the normal forty-ounce carpet padding.

Chairman Newland: Have you had any experience with water leaks yet?

Mr. Blakeman: We don't have any problem because we don't put Numacel padding in the dormitories. In our dormitories the carpet is glued to the floor and con-

sequently we have no water absorption problems with the padding. We are now carpeting all the dorms.

Mr. John F. Rhilinger, Director of Purchases, University of Tampa, Tampa, Florida: Dick, what is the backing on the carpet that you glue to the floor? Was it glued to the floor directly?

Mr. Blakeman: If we use secondary padding, it is regular jute padding. The specifications that we use are the same specifications that Lee uses for their Lee's faculty carpeting which is 26-ounce Antron. We have been using it ever since Antron has been out.

Mr. Fred H. Sitler, Director, Administrative Services, Memphis State University: I have talked to Wally Rogers and I am interested in contacting someone else who may have established an academic program in a foreign country or anything to do with students traveling to a foreign country.

Mr. James R. Mills, Director of Purchasing, Stanford University, Palo Alto, California: We have six campuses overseas, and if you will give me your card, and so forth, I will send you all the literature we have.

Mr. Paul Brower, La Verne College, La Verne, California: We have quite an extensive overseas program. If you will contact the Field Studies Division, La Verne College, 1950 Third Street, La Verne, California, they will be more than happy to send you all the information that you request.

Mr. Robert M. Priest, Director, Purchasing and Stores, Indiana University: A few years ago in St. Louis, I asked this group if anyone had done anything in the way of developing classifications to be used as input to the computer system. People laughed at me then, but maybe there is a little more sophistication today and maybe someone has developed such a program. If they have, I would be interested in knowing about it. I think it would be good if we, as an organization, could try to develop some such program that would be common to all of us and thereby enable us to feed some information back and forth to each other.

Chairman Newland: Does anyone want to respond to Bob's statements?

Mr. Gerald F. Evans, Director, Material Management and Purchases, Ohio University: The Ohio consortium of all the state educational institutions in Ohio has been approached by the State Division of Purchases to collaborate with them for the development of an entire commodity classification system which then could be put into the computer system. I think that after the State Division of Purchases has had an opportunity to review the program, it will then be submitted to the educational institutions to see that we then incorporate those commodities which are prevalent in our educational institutions and certainly encompassing the wide range of disposables which we use in our hospitals and food stores operations.

I think that the plan of the State of Ohio has come primarily from the State of Texas. So, Bob, you might want to contact somebody in the State of Texas which has done quite an extensive study on that.

Mr. Kenneth A. Weydert, Materiel Manager, University of California-Los Angeles: We are currently involved, on University System basis, in developing a classification coding system. This is being done in conjunction with a company by the name of Brishburn & Associates. If anyone would want to write to Jim Hahn at the University of California at Berkeley, he could give you some information on it.

Mr. Eugene H. Wilkens, Purchasing Agent, University of Chicago: On or about July 1, we will be entering into an IBM 3735 terminal input operation, using commodity codes developed by our own office for the University of Chicago — a four-level commodity code. The third and fourth levels will be the real working guts of

the whole system. I would have to spend a great deal of time discussing this which I won't. If you want information, you can write to me: Eugene H. Wilkens, Purchasing Agent, The University of Chicago, Purchasing Department, 1160 East 55th Street, Zip Code 60615.

Mr. William C. Thomas, Director of Purchasing, Boston University: We have had running for a year the system you are talking about. If you want to get in touch with me, I will be glad to give you complete details on how we set it up, how we broke it down, how we plugged it in, and the different flexibilities we have on the read-out: Bill Thomas, Boston University, 25 Buick Street, Boston, Massachusetts.

Mr. Rhilinger: I suggest to our Executive Committee that they appoint a subcommittee, gather the information that these gentlemen have spoken about and determine some standardization for the rest of us, and pass it along.

Chairman Newland: Thank you, John. New subject.

Mr. Richard L. Johnson, Purchasing Agent, University of Washington: This is not in the form of a question, but I would be interested in any valid, current, up-to-date salary survey information.

Chairman Newland: I really don't know what to say there, except you know who Dick is and what he has asked. That is a very broad, inclusive subject. Possibly if you have good ideas on it and don't know where to start, you can look him up and possibly have a discussion.

Mr. Sitler: Our personnel officer showed me some form that he gets from the same type of association we are in, the Personnel Association, that tells you all the different scales for the different skills, whether it is purchasing or whatever. So there is such a publication.

Mr. Wesley E. Donaldson, Director of Purchasing, Texas A & M University: **The Purchasing Magazine,** the Hanover, Mast publication, has recently started to collect salary data on what they call institutional purchasing officers as well as industrial ones. However, this is not much of an historic base and it is actually weighted in their average with overall purchasing officers. But it may be of some interest.

Ms. Virginia M. Worthy, Purchasing Agent, University of Texas at San Antonio: I need information on microfilm, on tape versus FICH. And if you are using it in your purchasing department? I would appreciate having it just mailed to me at 4242 Piedras Drive East, Suite 250, San Antonio, Texas 78284.

Mr. Ainsley G. Burks, Director of Purchasing, University of Iowa: I am not certain that I understand the question. Is it as to whether or not you are interested in making a decision as to micro-FICH?

Ms. Worthy: That's right. We are going to get a microfilm setup there.

Mr. Burks: Within the last four months, we have gone to micro-FICH-ing all of our purchase orders. We keep no copies of purchase orders in our office at all. The fact that we are printing out our purchase orders over a computer printer and are line-item encumbering for accounting purposes means that all we have to do is send the tapes to a company that will give us overnight service because we are micro-FICH-ing all those records. We are able to have a viewer available to each buyer in case he wants to refer to those to see what has happened on a particular order. He can also have the terminal operator punch in the purchase order number and she can bring to her screen the particular purchase order and show whether or not we have invoices or whether or not they have been paid. We are getting along very well without any purchase order copies at all. We have four months of purchase order copies now on FICH and that takes up about three or

four pages of these little FICH holding devices and the slots under which the micro-FICH copies are inserted.

Ms. Worthy: In your study determining the method you wanted to use, was the problem of tape against FICH complicated in coding for retrieval?

Mr. Burks: It is no particular problem because we can have all the purchase orders printed out on FICH alphabetically by a vendor, and, of course, the copies will show purchase order numbers and other pertinent information. This is all picked off from computer tapes. At no time did we consider microfilming because it is so much slower and much more expensive. It is particularly inexpensive to have this work done by a company that will make duplicate copies of the tapes and knock out the micro-FICH. I don't think it costs us more than four or five dollars for a day's purchase orders, and that would be in the vicinity of two hundred to two hundred and fifty purchase orders.

Mr. Wayne B. Crawford, Vice President for Business Services, Moraine Valley Community College, Palos Hills, Illinois: Has anyone done a study on the cost of security. Perhaps a controlled pilot study on an area of a campus that might have had very little security versus one that had a maximum security of equipment and furnishing materials?

Chairman Newland: Does anyone care to respond to that question? I know some of you have ideas about it.

Mr. Dennis H. Mongoven, Director of Purchases, Wayne State University: I would direct your inquiry to William McDaniels at Wayne State University, our Director of Public Safety. They have done extensive studies, a lot of them documented.

Mr. Robert E. Todd, Director of Purchasing, University of Louisville: I think our Director Dan Keller conducted a workshop on that topic last year.

Chairman Newland: You might look at last year's proceedings and find that topic. I thought it was pretty thoroughly explored.

Mr. Richard Jones: Campuses very often involve buildings used intensively during the hours of darkness, particularly buildings that house computer facilities because that is the only time that people can get at them. Certain equipment just doesn't lend itself to individual, on-site securing to a desk or table. Calculators, dictating equipment, some things like that don't lend themselves to being locked up because portability is one of the big assets that the equipment offers.

So we have embraced the concept of operation identification which is being pushed by the police departments all over the country. We have bought a supply of electric engraving pencils and we engrave on the casting or permanent part of a piece of equipment the budgetary unit number and some sort of a reference to the university name. Then we conspicuously post these little decals saying that the items in this office and on this piece of equipment have been marked for identification. This has proved to be very satisfactory and very successful for us although we don't have a lengthy experience. We have been doing it for only about the past six months. It tells the prospective thief that that particular piece of equipment is going to be extremely difficult for him to dispose of. The fences don't want to touch it. Therefore, rather than locking up the equipment, we are emphasizing the operation identification approach. Perhaps a year from now, I could give you up-to-date information on it.

Chairman Newland: Dick, do you have an estimate of what it cost you to do this work? Have you been in it long enough to know?

Mr. Jones: The system itself is very inexpensive. The only expense arises from

the kinds and types of central records you choose to maintain. But the engraving pencil is $10 or $12 and that can be loaned around to various departments, and the decals cost a fraction of a cent. So the only cost involved is the central records that you choose to maintain.

Mr. J. C. Mason, Director of Purchasing, Creighton University, Omaha, Nebraska: Dick, since you have had some experience with these engraving pens, have you had good experience with one brand or bad experience with another brand? We were looking at this very same concept and there is something on the market in the way of a machine that bolts to the workbench to allow you to do big, heavy pieces of equipment like some of the microscopes, typewriters, adding machines. You can engrave them with a signature or a school symbol or something from a templet. Have you had any experience with those?

Mr. Jones: No, we haven't.

Mr. Mason: Is there anything on these little pens? Have you had good or bad luck with the pens?

Mr. Jones: We have had very good luck with the pens. I don't remember the brand name, and I don't know where we got them which is probably indicative of the very good luck we have had with them. But I would be happy to send anybody information on the engraving pen.

Mr. Walter Schulze, Director of Purchasing, Essex County College, Newark, New Jersey: It seems that no matter what system you implement, things are still being stolen. Is your system so good that you are getting recovery? Although machines have serial numbers and the like, they still are a great item to steal. What is the percentage of recovery?

Chairman Newland: Would anybody care to reply to the matter of recovery of stolen property? We recovered one IBM typewriter from Seattle, Washington. We turned the number in to IBM when it was stolen and about three years later it showed up there, and we did get it back.

Mr. Jones: We have had pretty good luck with recovery. But that is not necessarily completely a function of the identification system or security system. It is a function of the effectiveness of your campus police organization and the size community in which you are located. New Haven is not so large that we can't cover it reasonably well. Our campus police department, all of whom are graduates of the City of New Haven Police Academy, shake down the pawnshops every single day, and our recovery rate has been very good.

Mr. Art Collins, Purchasing Manager, Duke University Medical Center: Since someone recently lifted my vendor business booklet, I am having to rewrite a new one. I would appreciate any information that I could receive from any of you in the form of a booklet or information that would be specifically applicable to hospitals or medical centers. If you have some of this information you care to send, please address it to Art Collins, P. O. Box 3715, Duke Medical Center, Durham, North Carolina 27710.

Mr. Larry Egbert, Buyer, Brigham Young University, Provo, Utah: We are becoming concerned about all the new office equipment coming into the market and about departments wanting to replace their old equipment when it is still adequate. We are trying to develop a policy that would require a department to use a piece of equipment for a certain number of years before they turn it in. Does anyone have any ideas or suggestions to offer?

Mr. James F. Simon, Director of Purchases, Northern Illinois University, Dekalb, Illinois: In our system they don't get to trade it in for value as a trade-in. They get

to turn it over to the rest of the university. This has a dampening effect on their wanting to spend their budget on some new gadget.

Mr. Warren Gibson, Tufts University, Boston, Massachusetts: I would like to know what official title should be given to the director of physical plant who is responsible for buying for the physical plant but who is not officially a purchasing agent.

Mr. William E. Haas, Purchasing Agent, Duke University, Durham, North Carolina: We have a buyer physically located in the physical plant and we call him the Manager of Maintenance Materials. He is responsible for the purchasing and storage, retrieval, distribution.

Chairman Newland: At this time I will turn the chair over to Neal Peterson.

President Peterson: Thank you, Earl, and thank you all for your participation.

I now would like to invite my good friend Bill Christensen to the platform. As you all know, Bill is the President of the E & I Cooperative, and the Purchasing Agent at the University of Utah. He is the former President of NAEB and he organized the charter group of past presidents of NAEB. It gives me pleasure to turn the time now over to Bill Christensen, President of the E & I Cooperative.

Mr. William L. Christensen, President, E & I Co-op; Purchasing Agent, University of Utah: We who are past presidents of NAEB have felt that we have something to gain for ourselves but even more for NAEB by keeping the group of past presidents of NAEB together and meeting occasionally, especially at the Annual Meeting. We hope this will produce some results for the Association.

Speaking as President of your Cooperative 1972 was one of really significant accomplishments for the Cooperative. It was a year of real solid growth, both in member purchases as well as in quotations and activity. Frankly, we on the Board and the employees of the Co-op felt that 1972 was really going to be somewhat of a problem. All our schools were suffering from shortage of funds and reduced research money. We had the feeling that 1972 was going to be a rather poor year as far as dollar volume was concerned. Almost surprisingly, it was the second best year in our history. Our member purchases were something under $21 million which is a sizeable amount of business for our kind of organization. This was an increase of some $300,000 over the year before. We were able to keep down expenses of running the Cooperative during 1972, in spite of the increased business activity, within .2 of 1% of our previous year. I believe the administration for the Co-op, as well as your board, should be complimented on doing this kind of job when prices on practically everything, both labor and supplies and materials, are increasing, as you well know.

1972 was the first full year of operation for the Grand Rapids office. If you are not aware of it, we now have a branch office of the Cooperative in Grand Rapids located at the Steelcase factory manned by E & I employees. This has resulted in reduced costs for the Cooperative as well as getting orders placed, traced and shipped out of the Grand Rapids factory more rapidly. It has been a real help in innumerable instances where we have been able to get things moving out of Grand Rapids.

1972 was the first year for our contract patron status for those few schools that are not actually members of NAEB, keeping in mind that one of the requirements for membership in the Co-op is membership in NAEB. This is a value to you as well as to the contract patrons because it does help our volume. We will continue to place emphasis on new contracts. We have established a task force within the Cooperative, (both directors and employees) to work on new contracts. At

our board meeting yesterday with the regional advisers, we spent a good part of the morning working on what items could be used, what companies could be contacted and the need for additional contracts. If you have suggestions as to what some of these items could be, we would be glad to have you let us know. Any kind of contract we develop has to be a two-way street; it has to be of some advantage to the supplier as well as to the Co-op before it is going to work.

We are aware that education is suffering from money problems and inflation problems. These affect us too. In spite of that fact, 1973, so far, is turning out to be a very promising year for the Cooperative. Gerry's reports from Westbury tell me that activity through the end of March and April, is higher in 1973 than it was in 1972.

Keep in mind it is your Cooperative. All of our efforts for the coming year will be to do an even better job to prove it's always wise to "Before you buy, check E & I."

I believe it would be helpful for you to know who your directors on the Co-op are. These are dedicated men who put a lot of time and effort into your Cooperative and all of them at no salary. Would you please stand so the rest of these people can see who you are? Fred Carr from Harvard, Ed Davis from the University of Miami, Wes Donaldson from Texas A & M, Brother Kenny from Fordham, Bob Priest from Indiana, Walter Walker from Hampton Institute and Ken Weydert from UCLA. Jim Sands had to leave this morning.

I think it would be well for you to hear from Brother Kenny, who is the Treasurer for the organization, about what his problems are. Brother Kenny.

Brother James M. Kenny, Fordham University, New York, N. Y.: Thank you very much, Bill. I am delighted to report that your Co-op is alive and well. Our fiscal year ends on December 31. At this time last year we projected an annual volume of sales of about $19,500,000. It actually went to $20,670,000. That certainly is something to be very proud of. As a result of imposing tight controls, the cost for operating the Cooperative was slightly over $500,000. In an era of inflation that is something to crow about. The thing which I think is very important to the members is the fact that the net margin increased from $124,000 in 1971 to $158,439 in 1972.

The Cooperative right now has slightly more than 1,500 members and is still growing. And if our projections are realized, we expect to end the year on December 31, 1973, with a total growth in volume of sales of $21,500,000. If this is realized, and there is every expectation that it will be, I think we can report another banner year. Thank you.

Mr. Christensen: Thank you, Brother Kenny. You might be interested in the fact that last year the Co-op handled 8,328 quotations. It is a sizeable job to get them answered and sent back. The percentage of increase last year was something like seventeen or eighteen percent which indicates that you are being a little more careful in how you are buying. You are apparently watching prices more carefully than before, even from the Co-op where you have a contract and, in most cases, would be able to figure out yourself what this price is. The number of orders received from that number of quotations increased 28% over the year before which indicates to us that we are doing a reasonably satisfactory job in trying to get these prices to you .I think we should hear from Gerry Perrine who, as you know, is the real running Manager for the Co-op.

Mr. F. Gerard Perrine, Executive Vice President and General Manager, E & I Co-op: As Bill Christensen mentioned in his remarks, strong emphasis is being

placed on the arranging of new contracts this year and the re-evaluation of our existing contracts. Contract negotiation, per se, has always been a big part of our operation, but the emphasis this year is on new contracts. In this work we look to the membership for a great deal of guidance because whatever contracts we come up with have to work on your campus. We will be sending you a questionnaire shortly, asking your opinions on what contract areas you think we should be getting into.

In the area of scientific equipment and supplies, we have had preliminary discussions with some of the major distributors in the country, such as H. R. Thomas, Van Waters and Rogers Scientific, and we have talked with the Sci-Med Corporation here today. We have also talked with the Ace Glass Company about the possibility of getting a contract in glassware. That is going to be a tough contract to negotiate. I think all of you know that is a tough field. But in this limited time this morning, I just wanted to give you an indication of some of the areas into which we are looking.

Because of the growing shortage of finished papers, Hammermill, who has furnished EDUCO mimeograph and EDUCO brand duplicator papers for over twenty years, notified us recently that they will no longer make these sheets for us. We are looking into the possibility of a new paper contract — a national paper contract. This is a difficult area but we are investigating it.

Based on suggestions made by some of our regional advisers and by the membership as a whole, we have been asked to look into the area of ice-making machines. At our board meeting yesterday afternoon, we approved a contract with the McQuay Division of McQuay Perfect Corporation, manufacturers of the Crystal Tips Ice-Making Equipment. We think we have a real good one here. We will be getting contract information out to you on this new contract very shortly.

One of our long-standing contracts, Southern Cross Industries, has sold the metalworking division of their operation and are no longer in a position to offer dormitory bedding on a national scale. After lengthy negotiations with a number of manufacturers, we have completed new contracts with the Inland Bed Company of Chicago for the manufacture of steel dormitory bedding, innerspring mattresses and case goods. We think that they are going to be able to furnish a very fine quality product in the area of steel dormitory bedding at a very competitive price.

In another area, we recently received contract information on a new contract with the L. Paul Brayton Company for planters and urns. This contract is designed not to replace the existing arrangement we have with Architectural Pottery, but to supplement it. L. Paul Brayton makes this line of planters and urns of a different style and pricing range than Architectural Pottery.

You recently received a revised contract sheet for our long-standing contract with ITT Lamp bulbs. This contract material reflects the additional discounts we have been able to negotiate with ITT.

Our contract with Warman Precision Products has been enlarged to include athletic equipment and quite a few additional items. We will be getting material on this to you.

Just quickly, a couple of the other areas we have been loking into. One is the possibility of arranging a contract with the Lily Tulip Corporation. A new contract in the area of carbon papers, ribbons and related equipment is being examined.

We have also had some very interesting preliminary conversations with the airlines, specifically the American Airlines, concerning the possibility of arranging a contract whereby perhaps passenger's refund could be earned on the face

of a ticket that you may purchase. Now you probably know you can't arrange a contract with the airlines for a discount on the price of an airline ticket. It is against CAB regulations. But we are looking into this field and the possibility of arranging some sort of a deal whereby anyone who will be traveling on American Airlines perhaps or on some other airline can earn a passenger's refund discount. It is a very interesting and exciting area to look into. We will keep you posted on it.

As successful as any of our efforts may be in arranging new contracts or even updating existing arrangements, these contracts would be of no more value than our ability to communicate to you the terms and conditions of the contracts. Emphasis, therefore, is being placed on finding ways and means of improving our communication with you. In February, Mr. Hugh McCarren joined our staff to head up the Membership Service Department. Hugh is very enthusiastic about his new job and he has a lot of ideas on improving our communications with you. If you have ideas on how we can better get our contract offerings across to you by mail, please let us know.

Another one of our national office employees, who is attending his first national meeting, is Wes Wallace, our Controller who joined our staff last June. In almost the one year that West has been with us, one of his main thrusts has been to introduce new reporting systems that enable management and the board to have a greater control on various aspects of our internal operation. Also, he developed some reporting systems that enable us to evaluate the acceptance of our present contracts by the membership.

In the limited time that we have here today, it is difficult to convey all the activities and programs under way or anticipated in the national office. We would like to urge you to come over to our booth, have a cup of coffee with us and give us an opportunity to let you know what we are doing to improve our level of service, and let us try to convince you one again, "Before you buy, check E & I." Thank you very much.

Mr. Christensen: Thank you, Gerry. All of you have received the special issue of the EDUCO News which we put out regarding the retirement of our old friend, Ella Carson, whom I am sure some of you have missed during this convention. Ella took an early retirement at her own request.

We feel that perhaps there are many times regional contracts should be developed because they could be developed in many areas where a national contract would be impossible. Are there any questions you have that we can answer about the Co-op?

Mr. Burks: Is the Co-op anywhere close to being in a position to discontinue the practice of withholding on certificates of equity? I gather that the fact that you have sizeable accounts receivable at all times means that you are still placed in the position of having to borrow money from time to time. This is a rather expensive drain on the Co-op's net margin to have to pay interest on money that is necessary to borrow. I gather that we are not close to being in position to have any of the funds withheld on certificates of equity refunded to the membership.

Mr. Christensen: Technically, we operate without money. It is impossible for us to sell stock, such as any ordinary corporation will sell and use that as a means of operating capital. I believe you know that a share of stock in the Co-op which you must own is $5. Five dollars doesn't produce any income when there are only a thousand or fifteen hundred members. The money then, with which we operate, must come from the slight difference between the gross margin and the net margin. In the past we have had to borrow money and pay interest in order to pay bills for

the Co-operative. Frankly, some of you are slower paying your bills than we are. I might suggest that last year, members lost some $25,000 because they didn't pay your bills in time to take the cash discount which we offer. At the present time and for a little while, we are able to operate without borrowing money. We try to pay our bills promptly enough to pick up any discount. But we are not yet able to operate without keeping a part of the margin which technically belongs to you. If we can keep business going and pick up this small amount of operating capital every year, there will come a time when it would be possible for us to operate on the money that we have. As you know, we do have some income from the property which the Co-op owns and which we rent and which helps to pay our own rent. However, we can't get in the business of owning property. Ainsley, we hope to eventually arrive at that point where we can return 100% of the margin to you. It is the ultimate goal for any cooperative.

Mr. Burks: In your paper negotiations, are you considering at all the fine papers or are you just considering EDUCO?

Mr. Christensen: No. We are considering the whole thing from rag content on down to No. 5 paper.

Is there another question? Neal, I will turn the meeting back over to you. Thank you for your attention.

President Peterson: Thank you, Bill. It is great to have the fine spirit of co-operation that we have between NAEB and the Cooperative, and I would urge all to continue to be active and to participate in both organizations.

We represent schools from all over the United States and we have one from a foreign country. I would like to recognize two men who have come from great distances. Woody Alexander is the Director of Purchases from the University of Hawaii in Honolulu. Herbert K Ruetzel, Director of Services, American University of Beirut in Beirut, Lebanon.

Whereupon, the General Session was adjourned at 12:05 p.m.

WORKSHOP A

A GOOD MANAGER — FROM A PERSONNEL VIEW

TUESDAY AFTERNOON, MAY 8, 1973

Mr. Gerald F. Evans, Vice-President, NAEB; Director of Material Management and Purchasing, Ohio University, Moderator . . .

Moderator Evans: Good afternoon, Ladies and gentlemen. Our speaker this afternoon is Mr. Russell Reister, Director of Personnel at the University of Michigan in Ann Arbor. Mr. Reister received his bachelor's and master's degrees from the University of Michigan and also has had previous employment with the General Motors Corporation. He assumed the position of Personnel Director of the hospital operation in 1959 and has held his current position as Director of Personnel at the University of Michigan since 1966. He is the former Editor of **The Hospital Personnel Management Newsletter** and Secretary to the Hospital Personnel Management Association. Currently, Russ is Vice President of the College and University Personnel Association and holds membership in the Public Employer Labor Relations Association and the Industrial Relations Association of Detroit, and in the International Personnel Management Association. Mr. Russell Reister from the University of Michigan.

Mr. Russell W. Reister: Thank you, Gerry. When I started to outline my presentation, it occurred to me that the title might sound a little self-righteous to some people. Two things have happened that have caused personnel people to be more sensitive to what they do and say. First, the new work force challenges nearly every policy or procedure which is promulgated, including many that we thought had been tested over time. After enjoying years during which we were looked at as somewhat on the liberal side (i.e., personnel generally took an employee's view toward matters) we are now challenged at every turn. A second phenomenon which has changed our role as personnel people is the outpouring of legislation at both the state and the federal level which has had great impact on the employer-employee relationship at colleges and universities.

Starting in 1965, the following things have affected the University of Michigan, and when I say affected the University of Michigan, in general these same things have affected your schools and colleges:

In 1965, the Michigan Legislature enacted the Public Employee Relations Act. Under this little "Wagner Act," the real bone of contention is that employers may commit unfair labor practices but not unions. We haven't quite come up into the year of Taft-Hartley yet in Michigan. The university fought this legislation through the Circuit Court and lost and then through the Court of Appeals and we also lost there. We were testing the constitutionality of that law as applied to the university. So in 1967, we entered collective bargaining agreements with three unions: the International Union of Operating Engineers, the Building Trades Council and AFSCME (the American Federation of State, County and Municipal Employees). This was one of the first external forces that have had great impact on our role as personnel people.

In 1964, the Civil Rights legislation was passed and in 1965 we had our first exposure to it. The Michigan Civil Rights Commission initiated a case against the University. That case is still pending. Also in 1965, the Executive Order 11246 was signed into law, and those colleges and universities which had federal contracts, I believe, in excess of $10,000 came under the regulations of 11246. Basically this was nondiscrimination in employment concerning race.

In 1968, Executive Order 11246 was amended to inclue sex discrimination, and also in 1968, the University of Michigan had the pleasure of having its first compliance review. It is quite an experience.

In 1972, the Civil Rights Act was amended (Title VII) to include colleges and universities. I don't know of any exceptions to being under Title VII now as it is amended. So you are now being covered by the Federal Civil Rights Act and you cannot discriminate in employment because of race, sex, color, creed, etc.

Going back to 1967, the Federal Fair Labor Standards Act was amended to include colleges and universities. This law had three thrusts that we need to be concerned about. One was minimum wage. If you weren't paying the minimum wage, you were then required to pay the minimum wage. It also meant that you had to pay overtime for those people who were non-exempt and who worked over forty hours a week. You had to go through and sort your people and determine whether they would be exempt from the law or whether they would be non-exempt. The other provision of the Fair Labor Standards Act was the equal pay for equal work provisions. This applies only to men and women in the same job classification. And in 1967, this only applied to non-exempt staff members. But in 1972, the Federal Government amended that legislation so that now the equal pay provisions apply across the board to all employees, previously exempt as well as non exempt.

That is whe e we have had all the problems with the comparison of salaries between men and women in the professional-administrative staff.

1971, wage and price controls. You probably all got very much involved in that and we are still feeling their effects. The reverberations may continue.

1972. Colleges and universities came under the Unemployment Compensation Laws for the first time. This also is the year that the Federal Government decided to cut back on its support of higher education. Many of us with research budgets face layoffs for the first time. The Federal Government decided that we needed unemployment compensation. Unemployment compensation can probably best be handled through reemployment. One of the things that the personnel office is probably doing more of now than they have ever done before is suggest that you accept certain employees whom perhaps you wouldn't normally employ because they are being laid off in another area. We are doing this to try to minimize unemployment compensation claims. Although you may be concerned about taking this particular employee in your department, I think that you need to consider this very seriously for the overall good of the university.

Also in 1972, OSHA legislation was passed, and that impacts both on purchasing and personnel. We need to be concerned about the environment; you need to be concerned about purchasing equipment that passes certain safety specifications. As these external forces began to impact on colleges and universities, the personnel function has been cast in the role of a policeman. This has changed our status from "knowledgeable friend" who can help you find a way to do something to "enforcer" of rules, regulations and contracts. Enforcing rules and regulations, which many managers feel infringe on their managerial prerogatives, are burdensome and perhaps even idiotic, has impaired our stature and shaken our self-confidence to the point that we have become gun-shy about advising operating departments on how to run their affairs. I would suggest that the two factors which have made our job as personnel managers tougher to cope with have had the same effect on your jobs as operating managers. It has, in fact, created a greater challenge for personnel people and operating managers to work together more than ever before so that our colleges and universities not only survive but become better institutions.

One of the ways to encourage cooperation between personnel and operating units is to make sure that the operating units understand what is to be done, why it is necessary, how it is to be accomplished, and what role the operating people will have in the process. With these questions in mind, let's look first at wage and salary policies and the new demands for equal pay for equal work. To start with, we should have some basic philosophy which will serve as a foundation on which we can build a wage and salary program. At Michigan, this philosophy has three key provisions:

1. To provide internal equity by paying similar rates to classifications with similar levels of responsibility.
2. To provide opportunities to reward individual performance both within a classification and through promotional opportunities.
3. To consider prevailing rates in the labor market to the extent required to maintain adequate staffing.

Although these statements may sound like platitudes to some, there are alternatives which are used and would have a significant effect on your wage and salary program if you chose the other route. Basically, there are two approaches for setting salaries: the one used at Michigan with its strong emphasis on internal

equity, or a philosophy of paying at some level of the labor market. Some companies want to be leaders, other companies want to pay the going rate or the average rate, and some want to pay as little as possible. It is my opinion that the latter method is a complete abdication of a management responsibility by letting someone else set your salaries. Under a labor market system, you will frequently find that food service workers would be paid the legally required minimum wage and the construction tradesman being paid the construction union scale.

The philosophy which stresses internal equity is based on the notion that employees are much more satisfied with wages and salaries which are internally equitable, even though the general level of compensation is low, than they are with a plan which may pay higher salaries but which is perceived as being inequitable. (When I refer to a low salary level, I don't refer to slave wages. You could have salaries that are so abominably low that your employees are unhappy irrespective of equity.)

Since I have already mentioned food service workers and tradesmen, let me use those classifications as an example of what I mean by internal equity as opposed to labor market rates. At Michigan, we believe the rates paid food service workers should be comparable with the rates paid custodians, laundry workers and nurses' aides who also work at the University, rather than compared with the local hotel and restaurant rates. As a result, they are paid more than a dollar per hour above the minimum wage and good deal more than the hotel and restaurant rates. By the same process (internal comparison), we have concluded that we will not pay our tradesmen the "downtown rate" and, in fact, we pay them considerably less per hour. We hasten to add, of course, that when they are working for us, they will work fifty-two weeks out of the year.

The second point of our philosophy stresses that we believe in a system which emphasizes merit as opposed to longevity. As the budget crunch becomes more severe, it becomes even more important to have staff members who really produce, and perhaps fewer of them, than to have legions of workers resting on their tenure. It is our intent that our system will not only encourage recognition within a classification by merit salary increases, but that employees will also be rewarded by being promoted through the system.

The final point in our philosophy gives us an out if we need one to meet a critical staffing problem. It sort of says that we won't bite off our nose to spite our face. Most of you are aware of the manpower shortages which have existed in the data processing field. We were aware of this shortage and the competitiveness of the market and, as a result, adjusted our salaries upward in order to maintain our staff. I would hope that someday the supply will catch up with the demand and the relative salaries of data processing people will come back into line with other employees. (I would suggest at this point that the adjustment probably won't be an overt adjustment downward of data processing salaries, but what will happen is that other salaries will be adjusted upward over time and data processing salaries probably will be held even.)

For those of you who would still prefer to pay whatever the labor market dictates, you should hire a competent clerk and get a calculator. This person can then set about surveying the various labor markets and tell you what the going rate is for each and every one of your jobs.

For those of you who wish to strive for a higher goal, internal equity, let me describe our efforts at Michigan. I would emphasize at the outset that the word "strive" was used advisedly. I am convinced that one never attains equity, but

rather must continually work toward it; for equity is like beauty. It is found in the eye of the beholder and with today's turnover ratios, the beholders, as well as their perception of equity, are constantly changing.

Let's look at the process of striving for internal equity and your part in that process. First of all, we need a good description of what everyone does — a job description. We need your honest evaluation and description of the work that is to be performed. Although each employee may be asked to describe his or her own job duties, you as supervisors will be asked to review and verify what the employee has written. This review also provides you with a good opportunity to learn what the employee thinks his or her job is, and if it doesn't square with what you think the job is or ought to be, you have an obvious reason for discussing the matter with the employee. Although I have implied the use of a questionnaire which is filled out by the employee, other methods may be used. A compensation analyst might interview the employee, write the description and verify it with the supervisor. The analyst could also do a desk audit in which case the analyst would actually go out and observe the employee working over a period of time and write a job description based on these observations.

Obtaining an accurate job description is the key element, whether you are undertaking a comprehensive program such as we just completed at Michigan involving the whole professional/administrative job family, or whether you are looking at a single position. It is at this point in the process where operating managers sometimes conclude that compensation analysts may be a bit cynical, and that is probably a good observation. Over time an analyst will learn that some supervisors tend to hold their employees down (probably trying to hold down payroll costs), while others tend to exaggerate the responsibilities of their employees, and this is probably based on the assumption that the money isn't coming out of their pocket, so they want to look good to their employees.

All we want, and we trust that you supervisors can give us, is just the facts. Once individual job descriptions are completed, the personnel office will attempt to take individual jobs and combine them into a job classification which may encompass a number of similar but not identical jobs, such as a buyer. We would have an individual job description for each of the buyers, but we would have a single classification description called "Buyer." Not every buyer does exactly the same thing, but they all do a number of things which we call characteristic duties. In addition, we will add a section of related duties which are done by some of the people some of the time, but do not have significant weight in pricing out the job. (See Appendix A) This process will be repeated for all jobs and when completed you are ready to start the evaluation phase of the procedure.

The evaluation process is at the heart of determining internal equity. There are a number of methods used and I will try to describe four of them in very general terms:

(1) **The ranking method:** A person or a committee ranks each classification and comes out with a list of classifications in rank order.

(2) **The factor comparison method** calls for disecting each classification into such factors as accountability, supervision exercised and received, knowledge required, etc., and comparing these factors against like factors in other classifications. The process is more analytical than the ranking method but the result is similar in that you compare one class against another.

(3) **The point-count method** breaks a classification down into various factors (and they may be the same factors that would be used under the factor comparison

method), but assigns a numeric weight to each one. It differs from the factor comparison method in that each class is measured against an absolute scale as opposed to being compared to other classifications.

The methods described here represent a **systematic** way of evaluating jobs. It is not scientific or absolute or foolproof and it will not provide an absolutely correct answer. There isn't any correct answer. Your results are only going to be as good as the effort and honesty that went into the process. People complain that you can't compare unlike classifications. They ask how you can compare a student counselor with an accountant or a buyer with a library assistant. The answer seems obvious to me that each one of these classifications is currently paid something. Somebody made a decision and, like it or not, the individuals in those classifications do compare their salaries with other classifications within the university. What I suggest is that if we are going to do the job, then let's go about it in an organized and systematic fashion. The alternative seems to be a haphazard patchwork of pay rates which today's work force is likely to challenge.

I said I would describe four methods used to evaluate jobs. Actually, the fourth method is frequently used for establishing organization and manpower requirements as well as setting salaries. This method, called **the classification method or system**, is common in Civil Service jurisdictions. As I understand the method, someone other than the operating manager takes the collection of duties which must be performed and breaks them down into specific classifications. This person or committee will rank these classifications against all others and determine a pay rate. The classifications with their prescribed duties and salaries are then presented to a manager along with a Table of Organization and Equipment and he or she is expected to make the unit run efficiently.

Although I may not be completely fair in describing this system I want to point out a very important difference between this system and the others mentioned earlier. Under the first three methods, the control of job content is specifically the prerogative of operating management. A supervisor will "package" a set of duties and responsibilities in whatever way he believes the work can best be performed. It is the duty of the compensation analyst to record those duties and price them out using one of the methods for evaluating positions. It is not the analyst's duty nor the personnel function to tell an operating manager that he is not authorized a position at a given level, but rather to tell the manager that other staff within the university with similar duties and level of responsibility are paid within a given salary range. Mind you, we are making the salary recommendation based on the duties that you have told us the person is going to perform and not on budget constraints which may force you to restructure the job back down to something you can afford. Although I want to clearly make the point that we don't or shouldn't tell you how to organize your department, I would hasten to add that we might offer advice on restructing jobs for better efficiency, to cope with a labor market problem, possibly for job enrichment or to build career ladders.

Now let me go back and go into a little more detail on the point-count method used at Michigan. First of all, let me describe the factors and their relative weights which were established by a fifteen-member university-wide steering committee. (See Appendix B).

We list six factors and their relative weight. The first one is knowledge required, that is education and/or experience. The second factor is organizational breadth, and that might better be known as supervision. The third factor is human contact. The fourth, independence of action. The fifth, difficulty of thinking and

decision-making. I would say that is creative and/or analytical thinking, differentiating that from the first one – knowledge required. And the last factor is responsibility and impact. Maybe we ought to call it accountability.

Those have a relative weight: Education and experience, 15%; supervision, 20%; human contact, 15%; independence of action, 15%; difficulty of thinking and decision-making, 15%; and accountability, 20%.

We get some flack from some of our friends in academia about the weighting of supervision at 20%. I argue with them that being a supervisor today is a whole lot tougher than they perhaps realize.

Each classification is examined to determine what degree or relative amount of each factor it should be assigned. Let's look at four purchasing department jobs and at the factor – knowledge required. (See Appendix C). The four jobs are: Assistant Buyer, Buyer, Senior Buyer, and Purchasing Agent. Keep in mind that ours is a large office and so we have these levels. I understand that there would be some of you who perhaps have one-man offices and this may not be applicable. But if you have a large office with various layers, this is how the system would work. The Assistant Buyer was given a degree of 3 in this factor, the Buyer was 3, the Senior Buyers was 4, and the Purchasing Agent was 5. The description of the factor says: "This factor measures the knowledge needed by the incumbent in order to perform assigned duties or to function at the appropriate scholarly or professional level, regardless of whether the knowledge was acquired through formal education, on-the-job training, work experience, or other means. The mix of two kinds of knowledge is considered: 1) Academic and scientific knowledge in a recognized discipline; 2) Knowledge of academic, business and administrative operations." We are trying to set up a system that will relate both to business type jobs and to academic jobs – research jobs.

Then the definitions. The Assistant Buyer starting at Number 3, "Requires the academic knowledge of a discipline plus the ability to translate, adapt or apply this knowledge generally associated with the equivalent of a bachelor's degree. Includes knowledge of business and accounting methods and techniques, knowledge of a functional field, technical knowledge required to design elements of a system or program, and/or knowledge to perform beginning level research in a field or discipline." It is given a weight of 70 points.

The fourth degree which was given to the Senior Buyers is labeled "Intermediate Degree." In our system, rather than try specifically to define a great number of degrees, we tried to make a more general statement at the first, third and fifth levels and then the second, fourth, sixth, and so forth, were called intermediate levels.

The fifth degree of this factor, which was assigned to the Purchasing Agent, reads, "Requires the academic knowledge of a discipline where advanced study or demonstrated capacity for original research that is generally associated with a master's degree. Includes the ability to apply business knowledge to devising broad procedures, the knowledge implicit in advice on basic policy matters or long-range planning, technical knowledge required to design systems, or a high degree of knowledge of operations." And that has 109 points.

As I have indicated, this factor reflects an ever-increasing need for knowledge that is either gained through formal education or expanding work experiences or both. As we got to the higher level jobs, the experience obviously was needed in order to perform. Not all the factors will work this way. Let's look at the same positions and consider the factor that I earlier labeled supervision. (See Appendix

D). In this case, the degrees assigned to each of these factors is 1 for the Assistant Buyer, 2 for the Buyer, 2 for the Senior Buyer, and 5 for the Purchasing Agent.

The first degree indicates "Essentially no supervision is exercised other than perhaps that of a secretary." That is given ten points. That is the Assistant Buyer.

The second factor which was assigned to the Buyer and Senior Buyer is 30 points: "Limited supervision of a functional nature is exercised over a few staff members where supervision is only in terms of assignment of tasks, transfer of staff members from one job to another within a unit, instructing staff members in proper methods of work, and the checking of work." That's the third degree. We gave an intermediate degree to the Buyer and Senior Buyer.

The Purchasing Agent jumped up to the fifth degree and that says: "Supervision may be functional or administrative in nature and involves one area of activity or a few clearly related activities involving similar operating techniques. There would likely be no unusual problems of supervision. Typically supervises less than a total of 15 staff members." That is given 150 points.

Jobs are structured in such a way that the lower three levels all have little or no supervisory responsibilities, but you take a significant jump when you move up to the Purchasing Agent's job.

Now let's look at how the system works on jobs which are quite different. (See Appendix E). Some factors differentiate very little while others show great variation. The five jobs that I have selected here are: Employment Interviewer, Assistant Buyer, Accountant, Medical Technologist, and Supervisor of University Library.

The first degree is knowledge required. That is equivalent to education or experience. The weightings are pretty near the same for these five jobs. The Employment Rep. gets 70, the Assistant Buyer gets 70, the Accountant, 70, Medical Tech., 70, and the Supervisor of University Library, 56. This is not a professional librarian. This is the supervisor of some technical service in the library.

Under organizational breadth, which is supervision, we have given the Employment Rep. 10, the Assistant Buyer, 10, Accountant, 30, Medical Technologist, 60, and the Supervisor, 150. Here we see the factors really differentiate.

On human contact, the Employment Interviewer gets 110, the Assistant Buyer, 84, the Accountant, 84, the Medical Technologist, 60, and the Supervisor of the University Library, 39. On the factor independence of action, the Employment Rep. gets a 70, Assistant Buyer, 56, the Accountant, 56, Medical Technologist, 87, and the Supervisor of the Library, 70. Difficulty of thinking: The Employment Rep., 56, the Assistant Buyer, 70, the Accountant, 70, the Medical Technologist, 70, and the Supervisor of the Library, 56. Responsibility and impact: the Personnel Interviewer, 94, the Assistant Buyer, 119, Accountant, 119, Medical Technologist, 119, and Supervisor of the University Library, 75. I have totaled up those points. The Employment Interviewer comes up with 410, the Assistant Buyer with 409, the Accountant, 429, the Medical Technologist, 466, and the Supervisor of Library, 446.

I hope that gives you some idea of how you can dissect a job and compare these factors and then use this method across classifications. We do not relate those total points directly to dollars. We are not going to take those total points and say 410 points is worth $410 a month or anything like this. When the jobs are all evaluated and given a point-count total, certain points will be bracketed. Maybe from 400 to 457 will turn out to be a pay grade.

You probably have noted that I haven't said anything about salary levels or absolute dollars paid. Such comments have been omitted purposely because the

major concern of today's employees is equity. The equal pay for equal work law is aimed at eliminating the differences in pay within a single given classification based on sex, and that is the only kind of complaint you can have under equal work for equal pay law — a complaint between a man and a woman. You may feel that your salary is not fair if you are a man compared with another man, but you don't have any legal grounds for action. The law only talks about differences between the sexes. We are feeling more pressure to pay given classifications equitably in relation to other classifications at Michigan in addition to this equal pay for equal work within a given classification, particularly if the classification receiving the lower salary is staffed primarily with women.

As an example of the thrust for pay equity, The University of Michigan has made individual pay adjustments to 908 staff members (mostly women) in the amount of $563,093 on an annual basis. This has resulted from an internal review of equity within classification and the implementation of the P & A study which reviewed equity among classifications. Michigan is a big school, but that is a lot of dollars and, given the kind of precedent we are setting for some of the rest of you, you may want to take heed of the kind of liabilities that you may run into.

Let me comment on salary grades and salary levels. I suggest you survey the labor market for a few bench-mark jobs to get some idea of where the market is for these jobs. A bench-mark job is generally described as a high-population job that is common to a great number of employers. If you test that kind of job you can get a pretty fair idea of where the market is. Then given your present level of salaries, availability of revenue (your ability to pay) and current salary relationships, you can fit a salary curve to the array of points that come out of the evaluation process. (See Appendix F).

There are three elements to a salary curve. There is the number of grades, (in our case, we have 21). The difference between minimum salaries as you progress up the ladder and the range (the distance between minimum and maximum). Once you have evaluated your jobs and have them all listed and assigned points, you can start breaking them down. There may or may not be any logical breaks, but you just start breaking, say from 300 to 347 and maybe 348 to 390, however it works out. You really use an empirical process — some skeptics call it trial and error — in determining what kind of salary curve you want. There is a lot of pressure today to flatten out those curves. The faster the curve swings upward to the right, the more you are paying your high-paid people in relation to your low-paid people, and you can adjust that curve any way you want. You probably can't get an inverse slope. If you do, you are not going to have very many executives. But if your slope goes up gradually you are going to have a lot of people happier at the lower end, and there is a lot of pressure for that today. Take your present jobs, and just put dots on that paper where the present people are to see how many of them are close to that curve and sort of fit the curve. If you have very limited resources and you are not going to be able to make very many changes, you will probably want to try to fit that curve to as near what you have today as possible. I don't think that is doing any harm to equity. You have a lot of freedom in how you set up your salary ranges which, in turn, are going to determine the range of the absolute salary dollars paid.

Salary equity is currently a hot problem and it looks like it will continue to be in the forefront for some time to come with all the demands for salary information at public institutions. I think you are probably all feeling the pinch, at least we are

at Michigan, to make all of our salaries public. If there is no other reason to get your house in order, that's a good one.

Fortunately, salary equity isn't the only challenge you have as a supervisor or manager. Let us consider for a moment some of the problems in the area of recruitment and selection of employees. We should be committed to opening up the system through the use of job posting, advertising on a broad scale and recruiting in locations where we are likely to attract minority and female candidates.

In most cases, a "closed system" of filling job openings is forbidden. Such systems may include hiring by word of mouth, (such as encouraging your present employees to go out and bring in their friends and acquaintances), the posting of a sign on your plant gate if few minorities pass the plant gate, or using employment agencies which only send men or whites in response to your request for employees. All of these I would call "closed systems," and they are probably all illegal now under the Civil Rights laws.

In my opinion, recruitment is at the heart of any affirmative action program. We need not be faced by the vexing problems of hiring less qualified people to meet government or self-imposed goals (not quotas) if we do a good job in the area of recruitment: that is, the creation of a pool of candidates which include qualified minorities and women.

If through the cooperative efforts of operating managers and the personnel department such a pool is created, it should make your job of meeting minority or female employment goals easy, but it may create another problem. Under the new guidelines, we all have to go through the exercise of assessing availability of minorities and females in making a judgment as to whether or not our current staff profile is such that we do not have to hire any women or minorities in order to meet those goals. In most cases, we are going to find out that we do have to set goals and as long as we have to set them, we are going to have to hire the minority candidate or the female candidate if they are equally qualified with the white male. Therein lies the problem — explaining to the white male why he didn't get the job. Perhaps I have created a situation which you feel could be avoided by never admitting that two candidates are precisely equal. However, the Civil Rights investigators will claim that you can't measure ability that accurately and will ask you to prove that the white male (if he is selected) is **significantly better qualified** than the minority or female candidates.

There is another whole set of problems when you get into the debate of selecting **any** qualified minority or female as opposed to the **best** qualified candidate. So far there is no legal requirement for this in higher education. And I will stop here and point out that such stipulations have been laid down by the courts in the case of some private industrial firms and some communities. I think that Pittsburgh or Philadelphia has run into this situation with police or firemen and have been told that they must hire two blacks for every white. That is not a goal: that is a quota. That is not selecting the equally qualified candidates. That is selecting any candidate that qualifies at all — minimally qualified. We are not at that point in higher education. We are still at the point where we have retained the right to select the best candidate.

After we have the employees on the rolls, how do we keep them and keep them productive? Probably the key element in keeping members of the new work force productive is to keep them challenged. If your system dictates that you be a watchdog over **all** purchases, you must be extremely careful. In such a system where every purchase must be handled by your department and where every action

of the buyer is neatly spelled out or closely proscribed by rules and regulations, it could lead to situations where your staff is stifled by paperwork and has little freedom to show initiative.

If yours is a department which is long on paperwork and short on decision-making, do you need college graduates in these positions? Will you be able to motivate high potential young people to become productive employees or will they become disenchanted and leave or, even worse, become disenchanted and stay to become disgruntled, marginally productive employees who retire on the job. If you wince a little thinking about your own operation, keep this thought in mind: you can change all that. The kind of shop you run will dictate the kind of employee you can attract and retain.

Allow me to close by assuming that you have all become more people-conscious and less procedure-conscious. I have stressed the point that the work force wants challenging work which implies the need for creative and analytical thinking and carries some responsibility and accountability. You may also have observed that younger workers seem to be impatient with their own progress. I would prescribe that a realistic picture of the job and future positions be discussed early with each new employee. Much has been written about matching an employee's personal interest or ambitions with corporate objectives. An example of this might be the amateur photographer who could be responsible for purchases of photographic equipment and supplies. Such a marriage of interests or goals is not always possible in the work situation and when it isn't you may wish to encourage employees to become involved in civic affairs where they may get recognition which is not available from the job or perhaps coaching Little League Baseball which might be an outlet for a competitive spirit.

I would also suggest that in evaluating your employees, you be careful not to devise systems which work against efficient operations. For example, a system which stressed dollar volume may discourage a buyer from recommending that an item be carried in stores when, in fact, requisitioning from stores would be less expensive than processing a purchase order. I suspect it would be much better to be concerned with a buyer's knowledge of new products and markets whether he has visited or revisited old suppliers on a regular basis and how many new and innovative ways of improving the purchasing process he has suggested.

In the past, you as managers and supervisors of purchasing personnel could be more concerned about good purchasing procedures. Today's work force with its strong support from state and federal government will not allow us the luxury of ignoring people problems. Today's work force demands that we solve these problems. Given this environment, I predict that the successful manager of the future will be one who can cope with today's people problems; that is, salary equity, affirmative action and structuring challenging jobs. Thank you.

Moderator Evans: Thank you, Russ. The floor is open for questions.

Mr. G. Robert Deubell, Director of Purchasing, University of Cincinnati: Under your scheme of salary administration, is the range controlled by the department head a way of rewarding the better workers for their progress, or is the range controlled by automatic increases with tenure?

Mr. Reister: The range is established by the personnel department. We go through this process of fitting the salary curve and that establishes the range. So if an assistant buyer was in a salary grade of 4 (7,200 to 10,300.) the minimum and the maximum have been established. The starting salary of a particular individual would be a matter of negotiation between the personnel department and

the purchasing department based on that particular person's background. If we were to take an assistant buyer, we would be getting a fresh college graduate, and that is usually pretty easy. We would normally start such a person within the first quartile of the range.

After the person is on board, the salary increase would be dependent on what the purchasing department recommended within our annual guidelines. Last year and several years preceding that, professional administrative employees at the University were allowed to be raised between zero and ten percent of their salary. If they went over ten percent, there had to be a letter explaining the exception. That range of adjustment stressed merit. To the extent that the departments gave everybody something, maybe they were recognizing the cost of living. We probably had no more than one or two zero increases in the whole University. When a department is told they can give an employee from zero to ten percent, we give the department a fixed number of dollars. Last year they were given 5.2% new money and the freedom to pay their people annual increases from zero to ten. That averaged out around 5.2%.

Mr. Deubell: If a man has reached his maximum, he has to progress and be promoted before his salary can go any higher.

Mr. Reister: That is what we hope will happen. We have had situations under our old system where people have been above the established range. One of the recommendations of the consultant was that for those people who are more than ten percent above the range, they get no increases until the range catches up with them. For those people who are from zero to ten percent above the range, they get half of a normal increase until the range catches up with them. We would like very much to hold that maximum. It is a pretty important part of maintaining salary equity.

Mr. Mongoven: Would you make any general observations about what satisfactions you have had or what disappointments you might have had using outside consultants?

Mr. Reister: From a professional personnel point of view, I think they did an excellent job. That is not shared by all the people at the University. I think we did some things wrong that really created tremendous problems for us. The most significant one was publishing very early in the study the proposed salaries and salary grade assignments and class assignments of people long before we had time to get out and discuss it with the departments and make a lot of adjustments that could have been made in the peace and quiet of the manager's office rather than publicizing it in our newspaper.

Mr. Beryl Price, Purchasing Agent, Wheaton College, Wheaton, Illinois: I sense just a little irritation on the part of personnel administration of college and university about the pressures that the government has on hiring of minorities and women and raising the salary scale of those involved. Now there would have to be some admission of being remiss in the past, would there not? And perhaps this is a second-best by colleges and universities not having taken the initiative and the lead in this?

Mr. Reister: Yes. It is always easy to look back and see where things could have been done differently. I am not sure that what we did ten years ago, given the circumstances that existed then, would necessarily be wrong. I think right now we are being expected to be in the vanguard of establishing a whole new structure and it is an uncomfortable position that I don't think industry is going to get to for a long time.

W. W. Howell, Culver Military Academy: I would like to explore the word "tenure." What does it mean to you at your school? Does it have any legality in fact? What does it mean to the people here?

Mr. Reister: I think tenure, the way administration at Michigan looks at it, means that a faculty man who has tenure may not be discharged without due process. I think many of the faculty look at it as an ironclad guarantee of job security, that they can't be fired no matter what they do or do not do, with a couple of exceptions. So I think there is a difference.

Mr. Howell: We have a case coming up in court concerning just this, where a person was not put on probation, had been on tenure for quite a few years and was dismissed. He was not given a chance to improve himself on probation over a period of time.

Mr. Reister: I hope your experience in court is better than ours. We had a case go to court and the judge really got all tangled up with the tenure procedure and not with the facts of the case. He rendered long decisions on what due process meant and what we should have done and who should have heard what, etc., without giving any consideration to the merits of the case. If you get into court, you may run into a judge who becomes enthralled with due process. It's still in the mill.

Moderator Evans: Russ, thank you very much. Ladies and gentlemen, thank you very much for attending.

APPENDIX A

CLASSIFICATION DESCRIPTION

UNIVERSITY OF MICHIGAN

BASIC FUNCTION AND RESPONSIBILITY

To procure requested supplies, equipment or materials for a large, related group of commodities in accordance with the University's purchasing policies and procedures.

CHARACTERISTIC DUTIES AND RESPONSIBILITIES

Process all of the purchase requisitions for the assigned group of commodities.

Evaluate purchase requisitions for appropriatness of purchase, content and clarity of specifications.

Determine potential vendors to be solicited for bids or approve selected vendor.

Submit requests for competitive quotations when dictated by judgment or required by University policy and evaluate returned quotations.

Determine the adequacy of terms and conditions of purchase transactions.

Award the purchase or contract agreement and authorize the placement of the order.

Advise departments on formulating specifications for unfamiliar or unique items.

Evaluate vendor performance.

Advise departments on products of proper quality and price.

Evaluate various products in assigned commodity group.

Locate and evaluate new products, procedures and sources of supply to recommend improved products and reduce costs.

Develop programs for standardization of items for assigned commodities.

RELATED DUTIES

Receive salesmen representing suppliers related to assigned commodity group.

Expedite emergency type orders.

Reconcile adjustments or complaints of department or vendor.

Procure materials for value technique committees for testing of materials of high volume purchases.

SUPERVISION RECEIVED

General supervision is received from a Purchasing Agent, Purchasing Supervisor or Business Manager.

SUPERVISION EXERCISED

Functional supervision may be exercised over office staff.

QUALIFICATIONS

A Bachelor's degree in Business Administration or a related field or an equivalent combination of education and experience is necessary.

Some experience in a buying function is necessary.

APPENDIX B

THE RELATIVE WEIGHT OF THE SIX FACTORS WAS ESTABLISHED BY THE STEERING COMMITTEE.

Knowledge Required (education and/or experience)	15%
Organizational Breadth (supervision)	20
Human Contact	15
Independence of Action	15
Difficulty of Thinking and Decision Making (Creative and Analytic Thinking)	15
Responsibility and Impact (accountability)	20
Total	100%

APPENDIX C

FACTOR #1 KNOWLEDGE REQUIRED

This factor measures the knowledge needed by the incumbent in order to perform assigned duties or to function at the appropriate scholarly or professional level, regardless of whether the knowledge was acquired through formal education, on the job training, work experience, or other means. The mix of two kinds of knowledge is considered.

1) Academic and scientific knowledge in a recognized discipline
2) Knowledge of academic, business, and administrative operations

DEGREE	DEFINITION	POINTS
1	Requires a level of academic knowledge associated with a high school diploma. Includes knowledge such as that required to maintain diverse records, knowledge to collect and organize a variety of fairly complex data, knowledge of equipment capability sufficient to direct operations, and/or knowledge of operations required to apply basic University policies and procedures to given situations.	45
2	Intermediate Degree	56
3	Requires the academic knowledge of a discipline plus the ability to translate, adapt or apply this knowledge generally associated with the equivalent of a Bachelor's degree. Includes knowledge of business and accounting methods and techniques, knowledge of a functional field, technical knowledge required to design elements of a system or program, and/or knowledge to perform beginning level research in a field or discipline.	70
4	Intermediate Degree	87
5	Requires the academic knowledge of a discipline where advanced study or demonstrated capacity for original research that is generally associated with a Master's degree. Includes the ability to apply business knowledge to devising broad procedures, the knowledge implicit in advice on basic policy matters or long-range planning, technical knowledge required to design systems, or a high degree of knowledge of operations.	109
6	Intermediate Degree	137
7	Requires academic knowledge of a field or discipline, plus advanced study and accumulated knowledge of application, which is equivalent to a doctoral degree in a field of learning. May include a broad knowledge of management methods or of the University operations plus an in-depth knowledge in one functional area.	172
8	Intermediate Degree	215
9	Requires academic knowledge of a discipline plus advanced study including a very broad accumulated knowledge of application. Also applies to broad knowledge of all phases of the University and of management methods plus some in-depth knowledge of a functional area. Would cover those recognized as leaders in an academic field or discipline or those with a reputation as a leader in the field of University administration.	270

APPENDIX D

FACTOR #2 ORGANIZATIONAL BREADTH

This factor considers several facets of organizational breadth and the management of human resources.

1) the level of those who are supervised
2) the difficulty of activities which are supervised
3) the diversity of functions supervised
4) the total number of persons supervised directly

DEGREE	DEFINITION	POINTS
1	Essentially no supervision is exercised other than perhaps that of a secretary.	10
2	Intermediate Degree	30
3	Limited supervision of a functional nature is exercised over a few staff members where supervision is only in terms of assignment of tasks, transfer of staff members from one job to another within a unit, instructing staff members in proper methods of work, and the checking of work.	60
4	Intermediate Degree	100
5	Supervision may be functional or administrative in nature and involves one area of activity or a few clearly related activities involving similar operating techniques. There would likely be no unusual problems of supervision. Typically supervises less than a total of 15 staff members.	150
6	Intermediate Degree	205
7	Supervision is administrative with the activities supervised closely related in nature or within one functional category of work. May involve some special difficulties of supervision such as supervising highly technical personnel or where activities are geographically dispersed. Total subordinates would typically be between 25 and 100 staff members.	265
8	Intermediate Degree	330
9	Typically refers to heads of major departments in which all of the activities supervised are in one functional category but including a number of activities within that category and/or in which the level and diversity of persons supervised produce inherently difficult subordinate/supervisory relations.	410

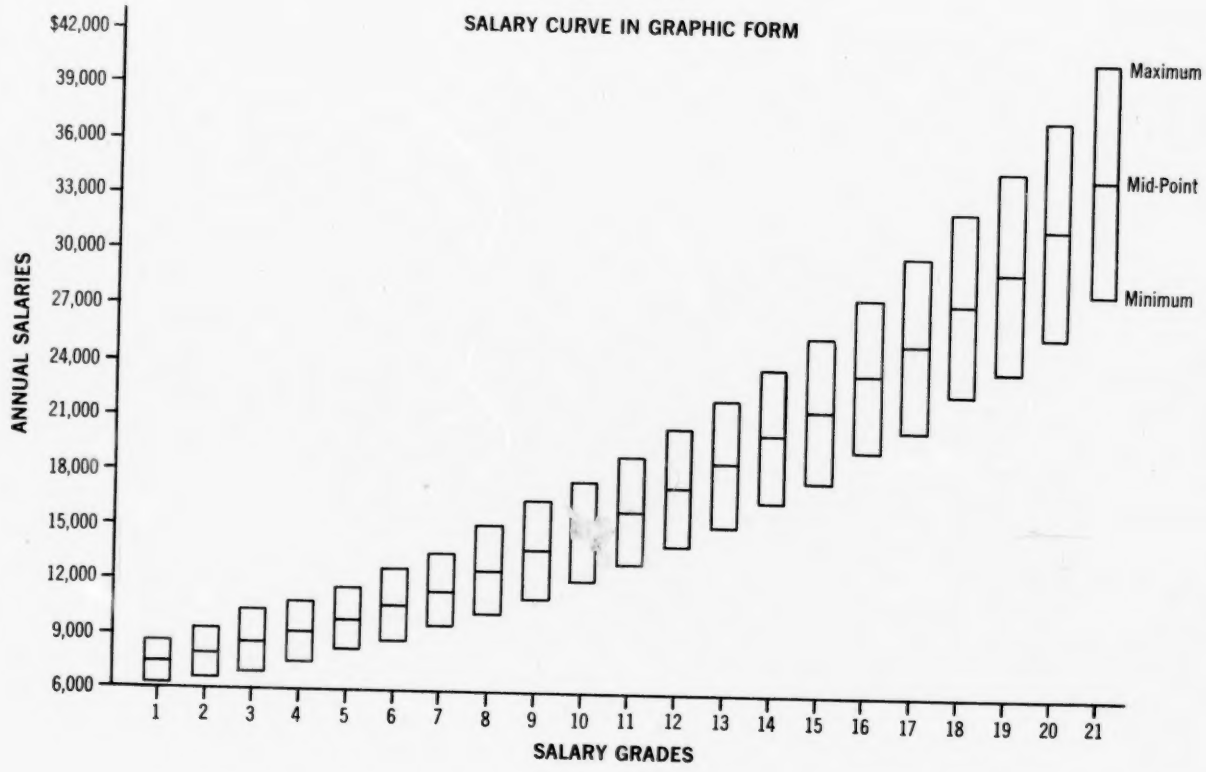
APPENDIX E

COMPARISON OF DIFFERENT POSITIONS SHOWING POINT COUNT FOR VARIOUS FACTORS AND TOTAL POINT COUNTS

Position	Knowledge Required	Organizational Breadth	Human Contact	Independence of Action	Difficulty of Thinking	Responsibility and Impact	Total
Employment Representative	70	10	110	70	56	94	410
Assistant Buyer	70	10	84	56	70	119	409
Accountant	70	30	84	56	70	119	429
Medical Technologist	70	60	60	87	70	119	466
Supervisor, Univ. Library	56	150	39	70	56	75	446

APPENDIX F

SALARY CURVE IN GRAPHIC FORM



WORKSHOP B

THE EFFECTIVE USE OF SPECIALIZED CONSULTANTS

TUESDAY AFTERNOON, MAY 8, 1973

Mr. E. Don Harmer, Vice-President, NAEB; Materiel Manager, University of California, Santa Barbara, Moderator . . .

Moderator Harmer: Public utilities is the first of the two parts of this program, and this will be run by Dick Jones from Yale University. The education of Dick is Yale University, Bachelor of Science in 1957; military experience with the United States Marine Corps from '57 to 1960. Professionally is the Gillette Safety Razor Company from 1960 to 1966; and Dick has worked in a variety of engineering and administrative capacities prior to becoming appointed Assistant Director of Purchasing at Yale in January of 1966. He was appointed Director of Purchasing in July of 1967; and appointed Director of Support Services in March of 1970. Memberships are NAEB, and NAPM; attended NAPM seminars for purchasing executives at Harvard Business School in 1967 and '68. I'd like to turn it over to Dick Jones.

Mr. Richard O. Jones: Thank you, Don. The first half of the program is going to deal with the general question of public utilities purchasing.

Public utility costs have risen dramatically during the last five years. At Yale they've gone up $2 million, and 97 percent during the period. This increase has occurred in the face of an active program of cost control. There's no way of knowing what the impact of public utility increases would have been if we had sat back and allowed the utilities to act without trying to play an active role in holding down the costs. I'm sure that the increases would have been much more dramatic.

Many of you have been faced with similar increases. Those that have not, look out. It's coming, and it's best to be prepared for it.

Let's speak a little bit about the cast of characters that is involved in a public utilities type of purchase. First, there is the utility itself. The utility can be either a publicly- or a privately-owned firm, or a municipally- or governmentally-owned firm providing services to all citizens in a monopolistic environment, or one that's marked by at least limited competition.

The utility accepts certain control over its activity in return for the competitive advantage that it enjoys. We have a regulatory agency which can bear a variety of names; Public Utilities Commission, Public Service Commission, etc. The presence of a regulatory agency is what makes public utilities purchasing different from the regular purchasing that we get involved with.

Then, of course, there is the consumer. That's you and me, whether we're dealing on behalf of our institutions or whether we're dealing privately as individuals. So we have a situation that's really a three-way situation, a tripartite situation, rather than the normal one-on-one type of situation which is much more common in the field of purchasing. We have the utility, we have the regulatory agency, and we have the consumer.

Let's talk a little bit about some of the common assumptions that are held by many with regard to the purchase of public utilities. The first is that the job of the regulatory agency is to look out for the consumer. The second is that the utility charges the lowest rates applicable to any particular consumer or any particular class of consumer. The third is that the utility rates that are charged are the

same for everybody. Another assumption that's commonly held is that utility rates are fixed and are not negotiable.

Gentlemen, it just ain't so. Each of these statements is false.

A regulatory agency is not primarily interested in looking out for the consumer; the regulatory agency is primarily interested in looking out for the financial well-being of the utility. And when you think about it, that's the only role that they could really play. Because if the financial condition of the utility becomes unsatisfactory, the utility cannot attract capital; and its stock will plummet. Then the utility may in fact be unable to provide the quantity and quality of services that the public has the right to have, and has the right to demand. This would be a far worse situation for the regulatory agency than to have the utility charge a little more than is really necessary. So the regulatory agency is primarily concerned with looking out for the financial health of the utility.

The second statement was that the utility charges the lowest applicable rate to all of its customers. It's not so. I know of no public utilities commission which has any regulation that says the utility must charge the lowest rate that's applicable, and I've done some research on this point. We have a real case of caveat emptor, as far as utility rates are concerned, when there are a variety of rates; and the utility will charge whichever rate it deems appropriate, whether it's the lowest rate or not.

The third statement was that utility rates are the same for all. Well, you know that's not true when you think about it. Consider the case of telephone rates. We know that there's a commercial rate, which most of us are under, even though we're not businesses; there's a residential rate; and there's a rate that is applied in some areas which is called a charitable rate. It's a rate applicable to charitable institutions. So telephone rates are not the same for everybody. We have the same situation in the case of water rates, where there are wholesale rates and retail rates, and a whole range of rates in between.

In the field of electrical power there are rates that apply to people who operate an all-electric home or business; there are rates that apply to large power users; and there are rates that apply to residential users. So the rates are not the same for everybody.

And the last assumption that utility rates are fixed and are not negotiable, is also not true. The only difference is, as far as rate negotiation is concerned, that once you negotiate a rate with the utility then it's necessary for the utility to propose that rate to the regulatory agency, the Public Utilities Commission in the case of Connecticut, and get the regulatory agency to approve it. Then it becomes a part of the applicable tariff.

So instead of being just one-on-one situation between you and your supplier, you've got to work out an arrangement with your supplier, then you have to get the supplier to present it to the regulatory body. It's a two-stage process instead of one. But in fact rates can be negotiated.

Now, what can we do? The first thing is you can participate in the rate-making process, because a public utilities rate is not made official until a public hearing has been held. The public hearing is called by the Public Utilities Commission or regulatory agency, and any consumer is able and eligible to participate in these proceedings. I don't know about the rules that apply in other states, but there's one caution here I want to give to you; and that is look out for administrative rulings that require that you make an application in advance to participate in the hearing.

Whether this is really in the best interests of the consumer or not, I don't know, but Connecticut has adopted a statute or an administrative regulation which limits participation in rate-making proceedings to those people who make application in advance. It used to be that you could just show up on the day of the hearing and you could have your day in court, as it were. So if in your state there is such an administrative regulation, you should be aware of it. You may have to make application in advance.

You should give serious consideration to participating in these hearings; making your stand known, getting your point across; planting an awareness of educational institutions and their many unique problems in the minds of the commissioners. It will all help. It also will help to make the public utility much more aware of your presence.

The first time that we stood up at a Public Utilities Commission hearing and spoke out in opposition to a proposed rate increase, you should have seen the reaction and the expression on the faces of the people from the utility. We felt that the utility had not done its homework; that they hadn't built a good, solid case, nor had they taken our requirements into account and given us a good briefing on the needs for their rate increase, as we would expect any supplier to do when we are a substantial consumer of its product. They had pretty much ignored us. Well, I can guarantee you that they don't ignore us anymore. We have regularly participated in all hearings before the P.U.C. that apply to us, and it's been a significant advantage to us.

To reduce the cost of public utilities there's obviously the alternative or the possibility of reducing consumption. This is something that we have attempted to do with mixed results. Obviously, you can't do it unilaterally, you can't do it alone. You have to work with your buildings and grounds people, physical plant people; and you have to work with the occupants of the buildings.

We have found, for example, that some of our very fancy environmental chambers can be allowed to float a little bit in terms of temperature. This means that we can reduce the utilities consumed by even the most sophisticated of scientific buildings during the periods when the buildings are not intensively used. This has saved us considerable money. When you have a sophisticated building that's using a lot of power, heat, oil or steam, and you can shut that building down during the periods when it's not in use, or put it in sort of a holding pattern temperaturewise, you're going to save yourself considerable money.

You can check the bills. If anybody assumes that a utility is going to bill correctly all the time, I can guarantee them that they're going to overpay their bills.

You can in the case of some utilities get into what is known as peak shaving or hiding in the shadow of a peak. I will try to explain that. Every electrical utility at least has an obligation to provide the normal and routine demands of the electrical system. But it also has to provide added capacity to deal with the situation where everybody turns their lights and all their electrical appliances on at the same time. This is called demand, and it varies from normal usage.

In most states your electrical rate is based upon a combination of both usage and demand; and in Connecticut the demand charge is equal to some 80 per cent of the highest demand ever pulled from the system during an entire year. So what you want to do is avoid setting any new peaks. You want to keep your peaks as low as possible. In our power plants where we meter all of our electricity, we have alarms which are designed to give us warning that we're approaching the previous peak, because if we achieve a new peak, we're going to pay for that peak for the

next 11 months. By being warned in advance we're able to take corrective measures to reduce the consumption of electricity, reduce the demand, and avoid setting a new peak.

Since our peak occurs in the summertime, we can heat an occasional building electrically during the winter months and not have it cost us a penny in demand charge. Because the peak occurs in the summer and since we always have to pay a fixed percentage of that peak, during the winter months we would not normally draw that much electricity. Thus we are able to use electrical demand which we're paying for and not otherwise using to heat buildings. There's one brand new laboratory building that is totally electrically heated for just that reason. That's shaving peaks, and hiding in the shadow of the peak.

I think that we all as purchasing people have to be thoroughly familiar with all the utilities rates that could possibly pertain to our usage of a utility; and to make sure that we're paying and being charged at the lowest applicable rate. Not all rates are the same, so we have got to make sure we have the lowest one.

There is a warning I want to issue here in regard to the negotiation of special rates. There is a very definite trend in utility rate setting toward compensatory rates. Every customer is supposed to be paying his fair share. Those customers who have enjoyed an advantage over the years are moving in the direction of paying more until they achieve this fair share situation. So with this trend an argument for special rates has to be made on the basis of some kind of a unique operating or usage or demand characteristic, and not based upon the fact that we are special kinds of customers.

The fact that we are a non-profit educational institution will not have a bearing, in my view, upon the decisions of the regulatory agency, because of this very definite trend toward compensatory rates. So a special rate must be based upon some kind of unique operating characteristics that pertain to your institution.

Now, let's move into the area of consultants. There are good ones and there are some that, frankly, aren't so good. But under the right circumstances the proper consultant can be of very significant assistance to you, and can be the key to very, very substantial savings.

What are the right circumstances? The first one that comes to mind is when specialized knowledge is required that is either unavailable within our organizations or knowledge which is too costly or impractical for us to acquire. Another example is when the need for this specialized knowledge is of short-term duration, when we don't have time to do a particular job ourselves, even though we might have the knowledge in-house.

Thirdly — and this is often overlooked, consultants are valuable when a fresh point of view can be of assistance to us. When the circumstances are right the matter of finding a consultant comes up; one of the most successful firms in the field of utility rate consultation is a firm called the National Utilities Service Incorporated. That's a bit of a misnomer because the National Utilities Service Incorporated is very much international in its character. They're thinking about a new name, so perhaps it will become the International Utilities Service. Their Vice-President of Sales and Marketing is a gentleman by the name of Mr. Boyce Tuten. He is with us today to present the utility cost control picture as seen from the consultant's point of view. Mr. Tuten is a graduate of Furman University; he's a former lieutenant commander in the United States Navy and an active member of the World Council of Foreign Trade.

Mr. Boyce Tuten: We don't like the name, consultants, anymore, and we have

taken the name of utility rate analysts. I do appreciate this opportunity of speaking to your group on the purchasing of public utilities, or perhaps the title would be how to control utility costs. Webster's New Collegiate Dictionary defines the word "control" as to exercise directing, guiding, or restraining power over. Paradoxically power is one area where control is virtually impossible.

There are many popular misconceptions about rates of electricity, gas, water and steam, but I'm going to mention three of them to you today. Many people feel that the state public service commissions establish utility rates and compel utility companies to see that their customers receive the lowest rate; and that they can and will enforce such action. The fact is for all practical purposes utilities actually establish their own rates.

The state public utilities commission recognizes the fact that the initiative for making and changing rates lies with the utilities themselves. The utilities are subject to varying degrees of regulation in most states. However, in actual practice the interpretation and application of rates by utility companies are given broad latitudes and vary greatly. In the final analysis state public service commissions are fundamentally concerned with the overall picture of rates — and then only with respect to the total annual revenue yielded a utility company.

In California the Public Utilities Commission said, "The customer must select the rate schedule under which he is to be served if a choice is offered. It is not feasible to guarantee that every customer will be served on the lowest rate at all times."

In Georgia the Public Service Commission says, "This Commission has no rules or regulations requiring utilities to see that commercial or industrial customers are on the lowest rates at all times."

Illinois, which represents the Mid West: "The choice as to which rate the customer wishes to be served under is the sole decision of the customer. The utility is not required to notify the customer if another rate is more beneficial."

In summary, then, state public service commissions do not compel utility companies to offer the lowest rate to their customers, no matter what class or category.

Another belief is that the Federal Power Commission exercises direct authority over utility rates. The fact is that the Federal Power Commission has no control over your local electric or gas rates. The Public Utility Act of 1935 gave the Federal Power Commission regulatory powers over interstate wholesale rates of electric utilities. The Natural Gas Act of 1938 broadened regulations by the Federal Power Commission to include transportation and sale of natural gas in interstate commerce. Sounds good; but how many of you really buy utility service on an interstate basis? Generally speaking, then, the Federal Power Commission has no jurisdiction over your utility rates as such.

The most widely believed misconception is the third in that utility companies automatically give their customers the best or most preferential rate. The truth is that the power companies themselves state that the selection of rates is the customer's responsibility.

Now, as I get into this point I don't want to imply that utility companies are not honest. They are. They operate within regulations, the same as banks do. But they do not, they cannot for many reasons guarantee you that you are on the lowest possible rate.

The Public Service Company of Colorado: "Customer requirements are constantly changing. Since the problem is so large, utility operations are based on

the premise that the individual customer should check to see which is the best rate for his needs."

Southern California Edison: "The applicant must designate which rate or option provision he desires."

Philadelphia Electric Company: "Where the class of service-supply or conditions of use are such that two or more rates are available, an applicant shall select the rate or rates to be applied to his service."

It is strange that in business many officers are often blind to loopholes in power contracts through which steady losses have been trickling for years. Because of the complexities of the utility rate schedules and structures, because of limited regulation or lack of regulations, because of failure to secure what is their just due, many institutions are literally throwing away money — money that could be saved if the proper action were taken. And to add to your problems even more, utility rates in this country are decidedly on the upswing. Throughout the nation power companies have been requesting and are being granted rate increases. In some areas these rate boosts are being accompanied by a reduction in service as a result of power shortages.

When public service commissions grant rate increases to utility companies, they grant a percentage increase in the utility company's revenue. Usually this does not mean a straight across-the-board increase of the same amount to every customer. One customer may get a two per cent increase, while another could possibly get a 30 per cent increase. The percentage of increase varies with the many different characteristics in use by the customer for that particular utility.

Many variables determine the amount of increase that a particular customer will get. I'm sure you can understand then that utility companies are in a position to differentiate substantially as to the amount of increase any particular customer will get. We publish a quarterly newsletter on utility news, and if you will give us your name, we'll be happy to put you on the list of these newsletters which we publish four times a year.

There is a tendency also to oversimplify rates so that the ultimate costs of serving a customer seems to be overlooked. Many utilities have generalized classes of customers to such a point where we feel that one class of customer subsidizes another. In other words, on a true cost-of-service basis one class of customer pays a greater rate of return to the utility than another class of customer.

In our world-wide operations we find that England and France have refined their rate structures to such a degree that high cost customers pay their fair share on a cost-of-service basis, while customers purchasing service during slack periods are rewarded with lower charges.

In France there are individual unit prices to reflect the cost of service at a particular hour of the day, the hour of the night, and the season of the year. These factors are in addition to the consideration given to the size of the consumer and his load factor.

The question of whether or not rate increases are justified is something we don't want to go into any farther. On the other hand, when you are looking at the cost of doing business rising, we must notice that the outlook for the earnings of utility companies are improving.

I hope I'm getting this point clear. But to be sure, in recent testimony in the Congressional record Senator Lee Metcalf of Montana, who has written an indictment merely of the investor-owned utilities, the title of the book is, "Overcharge," noted a dozen utilities are not asking for rate increases based on last year's per-

formance. If so, comparative data would be available. As it is, it is not available until the following year. As a result, electricity, gas and telephone utilities he pointed out, are trying to add another inflationary $2 billion onto utility bills before the public learns how well the companies did last year. How well could they do this year without rate increases?

Despite the vigorous challenges of such people as Senator Metcalf, there is no question in our minds but that the utilities will continue to receive permission for rate increases.

As cynical as it may sound, we subscribe to the age-old saying that "absolute power corrupts absolutely." It has been demonstrated time and again that the utilities, with the blessings of the regulatory agencies, seem to have absolute power. But where does all this leave you, the buyer charged with the responsibility of cutting, or at least controlling the cost of utilities to your respective institutions?

You can't take your business elsewhere if you feel the rates charges to you are prohibitively high in relation to your other costs and profit margins. The situation is that you are probably being overcharged for your utilities, and you probably are unaware of it.

Now, the word, "overcharge," that I'm using doesn't mean that somebody at the utility company has multiplied ten by ten and comes up with a thousand as an answer. Mathematical errors practically never occur anymore with the utility companies. Overcharge lies in the fact that within the framework of commercial and industrial rates there exists more than one rate schedule applicable to your operations. Many times there may be a half dozen such schedules, and each schedule will yield a different size utility bill each month.

The wrong schedule could make the bill some 15 to 25 per cent more expensive than need be, and in some cases even higher. Besides the collection rate schedule offered by the utilities, it's often possible to negotiate special contracts. To do this, however, you must be familiar with many factors which can affect your utility picture. A combination of several factors can make you eligible for a more favorable rate.

How do we know that a comparable institution to yours is paying or not on a better rate schedule? How do you know that some industrial or commercial customer within your own area is not on a better rate schedule than you are? How do you know that you could not qualify for this rate, if you knew about its existence? There are areas where rate discrimination is common; I'm just going to show you one example of one now.

In the Carolinas the utility companies have a special rate for all textile firms. Other similar size users, whether they be commercial, industrial, institutions, are at a much higher rate. Again, what can you do to be sure that your utility costs are what they should be, or at least realistic?

If you're the size of General Motors, you can establish your own rate analysis department, as we call it, to help guide you through a maze of rate technicalities, and then hope for the best. Since most of you aren't that large, we then come to our recommendation of utility rate analysts, or consultants.

We have outside specialists for all matters, taxes, pension funds, layout, and even government and public relations. Then why not a utility rate analyst? First let me tell you, or answer the question, what is a utility rate analyst. The ultimate objective of a utility rate analyst is to lower the costs of our client's utility bills. This continuous analysis provides his client with insurance against overpayment for these costs.

He is not an engineer or an accountant; he steers a course down the middle of the road complementing both. For the most part, the analyst works with financial data contained in the utility bills. To this data he adds his own special technical competence. He draws on a large encyclopedia of rate information as well as knowledge gained from checking millions of utility bills each year. He performs a continuing analysis over this one area of expense.

I am not in any way trying to push my company today, or say that much about it. I'll tell you this, however, in our New York office alone more than two million utility bills pass each month. In our San Francisco office over half a million utility bills pass each month.

The analyst is concerned with how much is paid for what is used, rather than how it is used. He doesn't suggest physical changes in the client's premises or production. He confines his analysis to the costs associated with the utility purchased.

At the outset of the analysis we ask for the past 12 months utility bills for each location. With these he is able to set up a picture of usage and trends. He adds data relating to the characteristics of the location, operating statistics, and utility supplier trends. We build a profile of the total picture of each client's location. He is now ready to begin his initial analysis.

Many variables enter in and can change our utility rate. We investigate new rates and new interpretations of old rates by utility companies. He does creative analysis using all known permutations of current rate structures. The rate analyst is very effective in interpreting precedents over the years. What happens is that over a period of time human beings interpret and reinterpret guidelines and classifications so that many deviations appear. Dealing with utility suppliers the advantages of interpretations obtained by others in the past may be made available to other consumers providing that they can show characteristics and circumstances which are similar. The art is to know or discover the advantages in the first place. The utility company has no responsibility to volunteer these circumstances.

The effectiveness of the analyst who is equipped with a very wide comparative base to enable him to seek out advantages that have been gained in the past are unlimited. Correct interpretation of what the utility company makes available to their clients means the difference between paying what is due or overpaying.

Most large consumers pay utilities under commercial or industrial rates. However, nowhere in the rates will you find a precise definition of who falls into what classifications. The analyst will constantly question this as well as the many areas of classifications. The experience in one state is very often helpful in dealing with another. Indeed, outside experience also can have considerable relevance on the local scene.

The analyst also works in various areas to completely create new rates and new schedules.

One case history that involves a major Eastern university client is the electric utility servicing that area offered a set of three rate schedules: a small general service, and large general service. Each of the rates was designed for a certain sized customer according to minimum demand obligations undertaken. Prior to our affiliation, this client apparently was classified under the general service category and had been for a number of years. In analyzing the bills we observed that the actual demand requirements were more than 50 per cent greater than the minimum requirements for the large consumer category. After calling this situation to the attention of our client and mapping out a plan of action, the utility was im-

mediately contacted and a change in rate classification was instituted promptly. The result: savings for the university of approximately $1,500 per month, or five per cent of their monthly costs. And this is not the end of this particular case. The utility in this case offered a special rider applicable to educational institutions that are billed either under the small or general service classifications. It provided for roughly ten per cent reduction in monthly bills.

Since our client is now being billed on a large user's schedule, the utility's concessions did not apply. However, our research department discovered that when the rate was first instituted many years ago the large user rate was not considered one which would be applicable to universities because of the large demand required to even qualify for that rate. Today, however, many universities consume as much, if not more, than the average commercial or industrial customer. Consequently, we had the client launch negotiations with the utility to obtain this concession. We believe that we will be successful in this endeavor, and should know in a few months from now; and the projected cost savings is in excess of a hundred thousand a year.

Now, we don't always deal with that size bills. To show you in contrast how they can be much smaller, a recent case with a university client of ours in the Mid West when in one of his locations only he was billed on his electrical services about $255 each month. Although a bill of this size would not normally warrant our attention, since our client overall had a very large utility bill, we studied this small one as a matter of courtesy to him. We found that the actual energy consumed under this service was quite nominal and if charged on the prevailing schedule, the cost would also be nominal. It turned out that the client's bill for this service was predicated upon a four-year contractual arrangement initiated in 1959; and although the original period of the agreement was expired, the utility simply continued to charge him on a minimum rate.

After considerable correspondence between the university with our guidance and the supplier over a period of some six months, we were successful in first getting a change so that current billings would be rendered on the basis of actual energy consumed; and, secondly, we were able to obtain a retroactive refund covering a period of nearly nine years totaling more than $12,000.

Incidentally, the bill paid for the service at the present time is in the area of $130 a month, or a savings of approximately $125 a month.

Again, although the dollar figures involved in this situation may be small, it is a clear illustration of what can happen on a larger scale institution. We represent presently some 17,500 customers throughout the world; bringing that down to the states, we would like to point out in closing that savings on utility bills are possible. We are achieving them every day in the United States where we have been operating 40 years, and to prove my point we only make money when we're able to save money for our clients. This I think speaks for itself in that we could not have existed 40 years unless we were saving money.

At this time I'll be happy to answer any questions you have about this service.

Mr. Earl F. Newland: Baylor University. Are you saying that you can negotiate if there's only one power firm in your area? How would you get started on it?

Mr. Tuten: Absolutely. We do not approach a utility company directly. We only work through our clients. We furnish you with the ammunition. We show you how to work. We've found over years' experience we must not interrupt the relationship you have with your local utility company.

Mr. Newland: But if we don't have anybody attending to that, then probably we're paying more than we have to?

Mr. Tuten: Well, I never like to make the statement that you are. But there's a very good possibility.

Mr. Herbert Gersbach, Texas A & M: This past winter we burned three million gallons of fuel oil as a standby fuel for our power generating facility. And this is because we're on an interruptable contract. I'm just wondering, the gas company tells us this is the only kind of contract they will let us have, because we do generate our own power and our cost has jumped something like three-quarters of a million dollars for this winter and coming summer because of this. Do you have any background or experience in dealing with intrastate companies in this type area where, in other words, it's a form of rate fixing? We're told that we can have this certain type of contract and that's it. Is there any recourse?

Mr. Tuten: I wouldn't want to answer this question without looking into it much more than the background you've given for me.

Mr. Elmer Stout, University of Idaho: I had a question for Mr. Jones. I was going to ask him if he could as a consumer negotiate with the state public utilities commission as well as the utility for a rate?

Mr. Jones: I don't know what the rules are in Idaho, but in Connecticut if you get I think five other consumers to join in a petition, you can then bring a matter before the P.U.C. You can't do it officially by yourself; but you can with just a number of other people joining the suit with you.

Moderator Harmer: I'd like to thank Mr. Tuten and Dick Jones for presenting this. Next we are going to introduce the second session, which is Computer Specialists, and Les Elliott's section. Les is Director of Purchasing for the University of Illinois at Urbana, and is a graduate from the College of Wooster in 1942 with a B.A. degree in applied mathematics and economics. He served in the United States Army. The most significant assignments in the Army were the contract units supplied for the Vienna and Austria area command. He joined the University of Illinois purchasing staff in Urbana in September, 1946; served as a buyer, assistant director, and then director of purchases. His purchasing operations are related to the use of the computer in purchasing and stores. His N.E.E.B. services include the N.A.E.B. Executive Committee, as Vice-President and President.

Mr. Lester E. Elliott: During the last decade the computer has become increasingly important and in some instances necessary in order to efficiently operate especially large institutions.

The advantages of early computer use in planning have been overlooked by many institutions. It becomes extremely costly to turn around at a late date and do something in relation to computers. Even the large institutions with a tremendous amount of expertise available have fallen into traps of inadequate planning, inefficient orientation, lack of priorities, over- and under-assignment of equipment, and all sorts of related problems of the rapidly changing state of the art.

It has been necessary to have a professional and a third-party look at all the parts and pieces, some of which have been operating extremely well in their own right, and evaluate these and put them together in a way that your school can use more effectively. Where we have a situation where capacities of computers cannot be effectively used, there must be consolidations. To this end a consultant with appropriate depth and data available is very useful. Sometimes it is necessary to have a consultant recommend directions, and be an arbitrary party in decisions in the use and the planning of computers.

Today we are fortunate in having Dr. George Gardiner from the Arthur D. Little Company, who has served as a computer specialist at the University of Illinois. He has been involved in the technical aspects of planning and the management of data processing activities. In the area of long-range computer planning he has assisted in major multi-campus studies to determine ways to improve their operations, to provide new services to users, to consolidate computing equipment, et cetera. He has also helped three major West Coast universities to evaluate the possibilities of consolidating their computing centers. He has also worked in the commercial areas in banks. Typical assignments taken by Dr. Gardiner have been to provide technical assistance to the data processing management including choosing the appropriate operating system for large computer systems installations, and assessing the relative values of the data processing management systems.

In addition to these assignments for computer uses he has also completed several assignments for computer manufacturers. So I guess you would say he's been on both sides of the fence. He has also been involved in helping to plan soft ware to be provided for the fourth generation computer equipment.

Dr. Gardiner received his Bachelor of Science degree from Princeton University in 1959; a Master's degree from Brown in '63, and a Doctor's degree from Brown in '66. His field of concentration at Brown was involved with numerical analysis and mechanics of continuous media. Dr. Gardiner is a member of outstanding societies such as Sigma Psi, the Society of Industrial and Applied Mathematics, and a great number of others.

Dr. George Gardiner: When Les first asked to talk about how consultants might help in E.D.P. problems, I thought of several kinds of things, like what kind of contractual relationships do you normally deal with with a consultant; what particular types of problems can they help with; what sorts of things have we done? I'm going to try to talk about how a consultant can help you with E.D.P. problems. What can we do and what we can't do.

I'd like to start out by talking about why a university hires a consultant. Many people are very surprised to discover the extent to which universities do use consultants. It would seem that on large universities there would be someone with all the proper skills available. The classic situation really isn't for expertise, it's just plain extra help. I'm always surprised when I look back over many assignments, and really think why was I hired. They really aren't for super expertise of any kind, but really because the client – and this is especially true in universities today – the processing department just doesn't have the people available or the people he wants to take off their current assignment.

In most of the work we have done for the large universities looking at data processing departments, the head of the department is overwhelmed as it is, he's usually a little bit shy of staff and, needs somebody for a special to develop a long-range plan, a one-time kind of activity.

Basically that's what a consultant does. Now, there are times when special expertise is appropriate; and these are rather specific kinds of situations where a university might not have the proper experience. For example, there are very often questions about should we buy this computer; is that a good strategy to follow? Should we put it on a third-party lease? If so, how long? Should we do it with all the equipment or only part of it? Is this particular peripheral vendor reliable? How do we know other people who have used him? These kinds of questions are typical of assignments that I would categorize as special expertise for a consultant.

Now, sometimes you don't really have the data right at your fingertips, but we usually know how to go about getting it very quickly.

The other kind of category, other than just plain extra help, is what I'd call the fresh view. And this is also a standard reason for having consultants. This falls into really two categories.

One is a situation where the university has had a certain kind of equipment for a fairly long period, and someone in the administration is usually concerned about, "Are we just being static; are we not being as imaginative as we might be? What's happening here?" And they would really like someone who has experience in a lot of places to give them a fresh view of how they might proceed. I am often surprised how often a university or college president will say, "I've got this building over there with some machines in it and I don't really have a sense of exactly what's happening there. How do we measure up with regards to other schools?" That's a typical assignment.

Then the other fresh view type of work that I categorize is the situation where there are really two or more views on a campus about what ought to be done. For example, there's one computer, and there are the administrative uses and academic uses competing. There's one group that says we should have two machines, and there's another group that says we should have a larger single center. This is an assignment that you're being asked to be the arbitrator.

Now let's talk a little bit about what a consultant can't do. In this last category of work that I have been talking about in which some basic decisions will have to be made, it's really not very wise to ask a consultant to make that decision. Whoever is responsible for establishing policy has to make up his own mind; and you are not making a good decision if you in fact ask the consultant to make that decision for you.

You will find that consultants are usually unhappy with that kind of situation. What he really wants to do is provide you with the necessary facts so that you can make the decision. It's usually not too wise an idea to try to get the consultant to make decisions for you.

In the kind of situation in which you have two or more groups each advocating a position, it's inappropriate and impossible to ask the consultant to make the two parties agree. You are going to have to make a decision yourself. You can ask for a fresh view, you can ask for the consultant's opinion, but you can't really get him to make the people agree. When I am asked to carry out assignments in which it's very clear to me no matter how the problem is posed that what I'm really being asked to do is to try to get a consensus of several groups of people, I usually refuse to do the work and say, "I will look at the situation and suggest to you what I would do, but don't expect that at the end of my assignment that everyone will agree on what ought to be done." That's asking more of a consultant than is reasonable to ask.

Now let's talk about the kind of contractual arrangements that you can make with a consultant. There's just about anything that you can imagine. Some people work on time-and-material basis; some will work for a fixed fee; some with upper limit. Let me talk about each of these. Some people who will call themselves consultants only work on a time-and-material basis; and that really requires a great deal of monitoring on your part. Because you have to keep track of what he's doing, whether everyone is happy with what he's doing, when it's time to shut the meter off. It seems like a simple kind of arrangement, but in fact it puts quite a bit of burden on the buyer, because he has to make sure that the time is really

being spent and that the time is being spent usefully. On the other hand, it minimizes his risk. If early on in the work it is very clear that the consultant is not performing very well, you can terminate the work.

Some consulting firms work on an upper-limit basis. In other words, they will say, "We will charge you on a time-and-material basis, and we will get this job done. However, we will not exceed the following amount," This is kind of Russian roulette on the part of the consultant, because if everybody is unhappy with the work when it's done, he has to put more time into it and he can't exceed the upper limit.

On the other hand, you know what your extent of liability is right away, and if for some reason the job gets done quicker, or after the first few stages of the work it seems appropriate to terminate it, it hasn't cost you any more than what's really been spent, or what it's cost to get it done. So in some ways this is the ideal kind of contract from the university's viewpoint.

The other notion is a fixed fee contract, in which you just ask for a proposal. You don't really ever know what the person's rates are, what they're doing, how much time they spend, the extent to which they had to go dig for information, the extent to which they have it in their back pocket. In a sense it's a little bit what a lawyer does to you, and many consulting firms like to work on that basis. Now, you will find even for the same job that if you ask three or four different firms how they would like to arrange the contract, that they would each come up with a different proposal; and I think you'll find most of them quite flexible and you should just think through these different modes before you ask for proposals and state which way you'd like the person to bid. It helps out a great deal in getting bids that are uniform for the work. As far as rates go, this is a very tricky problem.

Essentially what occurs is there are many professors and independent consultants whose rates will be in the $188 to $250 a day range. The minute you get with a large consulting firm, or any of the large management consultant firms, you will find that their minimum rates are $225 a day, and for a very senior person you may be even into $400 to $500 a day. This is always a problem in dealing with universities. You should recognize this problem because the first time that a faculty member who is rather prestigious and feels that he's doing quite well by getting $300 a day finds a relatively junior person come in, the university is paying $300 a day for him, they can get rather upset. The management consultant firms being full-sized companies, have a full overhead that we have to cover, libraries, secretaries, the university professors and small independents are depending on the university itself to supply this kind of support. This is the basic reason that their rates are somewhat less.

This kind of rate may sound absolutely outrageous to you. On the other hand, if you ask IBM, for example, to supply some contract programming, you'll discover their rates are about $30 an hour for a relatively junior programmer. There's $250 a day right there. A senior operating systems specialist will get into $400 a day easily.

Now what sorts of clients have we had? Surprisingly we've had rather large universities ask us for help. We right now have two jobs going, and instead of trying to talk about each of these because they're all very different I would like to talk about the University of Illinois work a little bit because in many ways it's very, very typical of the kinds of things we have done.

We have done no work that I can think of has not been involved with designing purchasing systems. One of our situations right now is involved along these lines.

But they have usually been involved with the general problem of how many computers, where are they, are they costing us too much, are we getting our dollar's worth out of them. Should we have bought them with a different mode, third party leases. We're about to get a new one; should we buy it?

The University of Illinois for example is a three-campus school. It's primarily drawing all its students right out of the Chicago area. It doesn't have major dormitory problems. Now, each campus had two large computers, one being used for administrative purposes, one being used for academic purposes.

Urbana had five to six small to large computers that were so-called dedicated facilities; they were owned and run by someone who had a contract either with the government, or another agency. The kinds of questions the university administration had was how did we get all these.

At least two of the large machines had been funded primarily from seed grants, whose primary purposes was to get the school going in computers, and these grants were running out. The question was, should we eliminate computers; what should we do about this situation? Are they being used well? Then there was the basic question even of are the services that we're supplying the right ones?

We went to each one of the computer sites; we tried to find out how well that machine was being utilized. We found out how many hours in use it is, whether the operating systems, the procedures used for getting work in and out of it are appropriate for the type of work load that's there; and you then get a sense of whether the capacity of the machine is in line with the work load apparently being processed.

Then you start to enter into a never-never land which is really difficult to deal with, and that is what kind of work load is likely to come. Here time was spent with each of the chancellors, the vice-president of administration on each campus, and also with the appropriate deans, to try to get a sense of how they viewed their demand for computing work. Were they going to get more students; was there going to be a new department of statistics that was going to require a lot more computing capacity; any of a host of issues that dramatically affect capacity requirements. We found that there were some ways to consolidate machines and get some modest savings. I say modest, they're modest in terms of percentage, in terms of absolute dollars, because all of this equipment was quite a substantial sum; but most surprisingly the conclusions of this kind of study really didn't have that much to do with hardware.

We discovered the university had not really tried to coordinate its computing activities among the three campuses and this was really the reason the questions were being asked. And even if our suggestions for consolidation hadn't been followed, the real thing that was needed was a structure for continually monitoring this situation and planning. Secondly, there was no chargeback to users; so you had a classic infinite demand. If it doesn't cost the user anything, he has an infinite demand for it, it's sort of a basic law of economics. So when you asked the questions of demand, there was no basis. It had always been a free service to them, so they wanted more.

Besides making several suggestions about organizational changes that would help control the situation in the future, we also made several suggestions on procedures for charging users. Both the administrative departments as well as academic departments, so that on each year's planning cycle when you asked questions like: Do you need more of a department of mathematics and department of engineering? Will you need more computing?

You didn't get back an answer like, "Certainly." If it was free, they were going to answer that. If you made him take some trade-offs in his own mind, he could get another faculty portion or he could get some more computing time. You didn't have to shut it off for lack of dollars, which is another interesting problem.

Now, in summary consultants can help, but not always. If you have a situation where you're trying to use a consultant for settling an argument, beware. They can help you, but they can't really square it away completely.

All sorts of contractual arrangements can be made. You should think through the situation, whether you know them, whether you really trust them, and set up a kind of contractual arrangement that is in line with that situation.

Secondly, you will find that probably the more expensive consultants are in fact most effective. There is nothing worse than a bad consultant. I have on several occasions had to mop up behind other situations. You're much better off getting a really good person. If the problem is very narrow and easily structured it is probably most appropriate to get a small two- or three-man firm, or even an individual to deal with it.

If the problem is unstructured and you're not even sure what the problem is, you're much better off to go to one of the larger firms that have a large number of people who can deal with various aspects of the problem. They can get 10 or 15 people who can each spend the appropriate number of days in the area that they know about. You should make sure that you have confidence in the person that you're going to have and that you know of someone for whom he has worked who was happy with him.

Mr. Jones: Can you cost justify an administrative computer system?

Dr. Gardiner: If you try hard enough. Let me give you an example of one that I have tried. That's the area of student records, student enrollment, student records, registration. The amount of frustration that I have seen on so many campuses in that area is absolutely incredible. If you try to justify some of the systems that I have seen on the basis of the number of people, et cetera, I think you'd have a pretty hard time justifying some of them. On the other hand, in terms of student relationship, annoyance by the faculty and student advisors, there's almost no question that some of the more advanced systems are justifiable. But I think it is very hard on them, on a straight dollar basis.

Mr. Richard Bennett (University of Nebraska-Lincoln): I much enjoyed Mr. Gardiner's third recommendation: Be sure that you have a good consultant. Unfortunately, however, each consultant with whom you interview is good; in fact, he is the best that there is. He'll tell you before you even ask. What criteria do you suggest for evaluating this rather subjective condition?

Dr. Gardiner: The only way that I really know that makes sense to you is to ask him for some references for jobs that he's done. Hopefully there will be someone that you know, one or two people on the list that you know or are familiar with. Call them up and ask how that assignment went. Usually the assignment will not be precisely like yours. But I think that's really the only way.

Mr. Robert K. Heidrich (University of Chicago): Wouldn't your first recommendation be to tell them to call ACME right off the bat? The Association of Consulting Management Engineers? Since I've been a consultant in my career for a while, I would tell anybody that. Find out if it's a large firm. I'm not talking about the two-man shop, because that's a different problem. I would also disagree with you about calling somebody that's used them. I can give you at least five circumstances where if you had called the client that I knew, they never would have told

you that it was a bad job, because of their own circumstances. And I agree it is very difficult to try to pick one, but ACME will help you to get a good consultant firm.

Dr. Gardiner: That's a good suggestion. Let's go back to this point of asking someone. There are two things that you should be leery of. There are times when you do an assignment and it really alienates someone within that organization, because that was precisely what was needed to be done. So you have to be a little bit careful about asking an organization how well did that consultant do by making sure you know who the person is you are talking to, what his relationship with the client was.

Mr. Wilton L. Fleming (North Carolina State University): My question has to do with this matter of selecting a consultant. Are you saying then that the possibility of getting competitive bids on consultant work is impractical?

Dr. Gardiner: No. Not at all. The best procedure to follow that I know of is to try to put together the best work statement you can. Ask the client to make a proposal. And the thing you should look for in the proposal is the extent to which he describes how he's going to go about doing the job. If he's too specific in my own mind that always makes me a little bit nervous. Sometimes I get asked to evaluate proposals, and when it's really specific I always have a nagging doubt that maybe they have a canned procedure for doing something that there really isn't a canned procedure for. If he just tells you, "I'll do a good job," then watch out. It may mean he doesn't know what he's doing.

I think it's wise to get a set of people to bid on it. You should check their references; and the reason that I'm saying you should get a competitive bid is it's surprising how much jobs will vary in their expected costs. Not because rates are that different, but because they have a slightly different procedure, or they have misgauged the level of detail that you want. I have found both mistakes in responding to proposals. You know, where they said that will be $30,000, and after I put the bid in, have the man say, "I expected to spend a hundred. How can you do it for thirty? Then I've done exactly the opposite thing. So I think getting several people to bid on it, one of them will understand what you are really saying.

Moderator Harmer: I want to thank you. We will stand adjourned.

WORKSHOP C

WORD PROCESSING

TUESDAY AFTERNOON, MAY 8, 1973

The Word Processing Systems in Educational Administration — Wallace B. Rogers, Vice-President of the Association, presiding.

Moderator Rogers: Word processing is not automatic typewriters, it's not automatic dictating machines, it's not a steno pool and it's not a typing pool. I think word processing is a new science of administrative management. I personally feel it's about as important a discovery as the dial telephone. I think word processing is something we are all going to be into within the next five years whether we like it or not.

Today, we are extremely fortunate in having with us Mr. L. M. Collins, Manager of Word Processing Education for IBM. He comes to us with some impressive

credentials. He is a graduate of North Texas State University having obtained both his Bachelor and Master's degree there. He has been an administrator and faculty member, and he served in the Army and Air Force. He joined IBM some 20 years ago and has progressed to his present position.

Mr. L. M. Collins: Good afternoon. Allow me to define Word Processing as net as possible. Word Processing is the combination of people, procedures and equipment to manage your paperwork more effectively or it's a concept or program for improving the efficiency of business communications. Word processing is a new approach to managing all management services that fall into the administrative area of an organization. I will try to develop the idea that there is more than one way to design your program to more effectively manage your secretarial and other administrative operations.

Frequently, an organization will change to a new approach without recognizing that people resist change and this may create unnecessary difficulties. For a word processing system to be truly successful, user employees in the organization must willingly accept and support it. But in many organizations some employees are merely going along with it because of top or middle management commitment. Others continue to fight the new system from its inception and until long after it has been implemented. Effective management communications as to the what, how and why of word processing can prevent or minimize fears.

In almost every organization some employees will resist any new way of doing things. Resistance to a word processing system may manifest itself in the following ways: Outright refusal to the system; conscious or unconscious avoidance of the system (assuming other methods of paper work processing remain available), use of the system only when absolutely necessary; dumping of the more difficult or "garbage" typing into the center while keeping the easy straight-forward typing for administrative support secretaries (also assuming this option is still available to some degree). Even more damaging is the negativism that is often circulated by the informal organization or grapevine.

Any new system, no matter how strong its foundation, must be nurtured in its early stages. This was as true for EDP during its early stages as it is of word processing systems today. Employee negativism in the early stages can leave long-term scars, and in some cases, have completely aborted a new system. Moreover, negative attitudes can be so subtle that they may go unnoticed until they become dangerously powerful and disruptive. If resistance to a word processing system is known or suspected to exist, here are some of the techniques that management can utilize to overcome the resistance. Word processing is a management program, therefore, it should be supported, directed and implemented by management.

One of the most ineffective techniques is sheer force. Sometimes top management, because of the pressure of other business issues can fail to state that the new system is here to stay and that all employees in the organization will be expected to give their full support. In today's world of participative management, such an approach can do much to bring success. Here are some of the effective ways to gain acceptance of the new system by the user employees.

Not only should top management be behind the new system, but they must be committed to its workability in the organization. Management support must make itself felt all the way up and down the line, in good periods, as well as in time of questioning. Problems will occur during the implementation of word processing no matter how well the system is planned. Top management should make a

strong enough commitment to see it through the rough spots and on to firmer ground.

One of the best ways to overcome dissent and negativism is to involve the hostile camp in the activity being planned and implemented whenever possible. Request opinions and comments from non-supporters regarding needed improvements. People like to believe that they are a part of the action and are contributing to the attainment of organizational objectives. If their advice is sought, outright potential dissenters may feel obligated to adopt a wait-and-try attitude, if not one of wholehearted support. This technique must be applied early in the developmental processes, and to be effective, should be followed throughout the implementation and the development stages.

People in organizations implementing new approaches to production or administrative services often fear they will lose their jobs or be unable to perform effectively under the new system. They frequently feel that they can work better in a "traditional" atmosphere, when in fact they are usually much happier when they can see that they can accomplish their work in a more effective system.

Assure that all myths about the new system are dispelled. This goal can be quickly accomplished through frequent and widely-disseminated status reports as well as through orientations and question-and-answer sessions. When people fully understand a new system and its concepts and know that they will not lose their jobs and that, indeed, their jobs can be made easier as a result of the new system, the hostility may turn into immediate support.

The best way to accomplish this most difficult task is for system supporters to become "you" oriented. Meet with the dissenters in their offices to discuss various aspects of the system. Discuss their problems and requirements. Allay their fears about the new system. Discuss their reasons for not using or not planning to use the new system. In other words, do a lot of listening.

To make the word processing system responsive there should be a quick turnaround with top quality output, make the system easy to use and make the system flexible enough to handle rush, confidential or unusual throughput requirements. The system should be planned to serve the needs of management and their staffs. The daily pressures in a traditional office can result in work not being accomplished. Changing the type of tasks from administrative to correspondence may create unnecessary bottlenecks.

One of the biggest bonus techniques of all is the organization of the administrative support secretaries to meet other needs more effectively than has ever been done before. If the administrative support function can be properly organized and placed to provide optimum results, then the word processing system will undoubtedly be hailed as a tremendous success by potential users. This area deserves a lot of attention in the overall design and implementation phases of a typical word processing system. Extra effort here can result in a tremendous harvest of support when the going gets rough. The correspondence secretary in a word processing center should support both the administrative secretary and the principals she serves.

Providing incentives can be helpful in developing active channels that will promote a new system. The main objective is building an attitude of team-work. A common goal is usually desirable, such as being the first in a organization to have a word processing system, having the best geographical location in a particular business, profession, et cetera. It helps if the word processing manager is a master psychologist; such activity is akin to coaching an athletic team. If the

center can become truly service motivated, it will have a long leg on the ladder to success. The center supervisor and its members must develop a pleasant attitude of service to the total organization. It is difficult to argue with a friendly smile and willingness to go that extra mile. It is hard to keep this up during time of stress, but a positive attitude can eventually subdue the most hardened critics.

Most importantly, never critize the system yourself even in jest or among your closest colleagues. Be dedicated to the new system even though you may recognize it has a few shortcomings. A positive attitude can be contagious and the weaknesses can be eliminated.

In many organizations a full word processing system is the best solution for increasing volume and preventing rising costs in the plateau of secretarial production. Some executives have been put off by the concept, seeing it as an all-or-nothing-at-all, or as a traumatic upheaval, destroying long-standing relationships, inferring high costs for equipment and facilities, and all for uncertain results that can not be managed.

In fact, word processing is a very flexible concept, not a single, stereo-typed approach. The basic idea is to analyze the administrative and correspondence support required by management, then design and implement a means of doing the tasks better than they can be done by traditional methods. In keeping with the diversity of requirements in a great variety of organizations, there are many possible configurations, varying widely in the degree of change required. The type of change involved can be a methods change, or a procedural change, a systems change, or a combination of all three.

There are many possible ways of processing words from those requiring the least change to those requiring a total change. The first is the traditional way, the ratio of one manager or principal to one secretary. Communication occurs between the two as time permits or during dictation. The secretary handles both administrative and correspondence tasks. The input is limited to longhand or shorthand; however, this method will require the most time and effort on the part of both secretary and manager. A limited or fragmented management and controls can make this arrangement costly and ineffective.

Now, let's look at a simple method change for word processing. Changing the method of input through the use of input processing equipment (dictation equipment) allows the manager or principal and the secretary to work more independently. A magnetic keyboard may be added to provide the capacity to increase production when justified by the work load where a typewritten document is changed or stored for future reference. The use of input processing equipment for dictation helps increase productivity by permitting the manager to dictate whenever he wishes and the secretary to schedule transcription of dictation and administrative tasks for maximum efficiency.

A more advanced method change for word processing may be needed. The secretary may perform administrative and correspondence duties for two or more managers or principals rather than for one. A microphone input system is installed for input, and a magnetic keyboard is used to expand output capability.

Communication between the managers and the secretary is more limited. Fewer routine administrative duties can be assigned to the secretary by each manager, or they may have to curtail some needed supports or handle these themselves. The magnetic keyboard helps the secretary increase output by avoiding a complete startover when there is a correction or addition. All typing can be stored on a tape or card until finalized, and then it can be played out automatically. All dictation is

done through the remote microphone network, or the telephone, enabling both managers and the secretary to accomplish more in the time available. Eventually, a second or third secretary may be added if the work load increases.

The size of the organization to be served may dictate a procedural change rather than a simple or more advanced methods change. This will lead to improved career opportunities for secretaries, yet provide for a more efficient system for handling business documents, increase productivity and reduce costs.

A relatively simple procedural change for word processing may be designed. Because of the volume of correspondence and administrative duties, the secretaries specialize in each of these areas for greater efficiency. Two or three secretaries may be assigned to magnetic keyboards with input processing equipment to transcribe quality documents. One administrative secretary may handle all administrative duties for the work group or a functional area.

The communication between correspondence secretaries and managers is still handled on an individual basis. Administrative duties can be assigned to the administrative secretary in a systematic manner with some consideration given to the level of management as well as the support required. The correspondence and administrative services required by middle management and their staff members may be greater than those of top management; and if so, the organization's objectives can be met more efficiently because the work has been divided logically. When necessary, the secretaries may work as a team, enabling them to provide better service to the managers. Since the secretaries have been trained to perform administrative support functions, they should be encouraged to take the initiative to improve procedures wherever possible. This configuration could be repeated in a number of departments within an organization, or it can be modified to meet the needs of smaller departments.

Frequently, the question is asked if word processing can serve any organization other than a large corporation. I have answered that question with several ways to go. The configurations cited above will meet the needs of small or medium-sized organization or perhaps a department in a larger organization.

Now, let's look at a word processing configuration for a larger organization. This is the system approach. Administrative secretaries are assigned to managers or principals by departments based on workload and experience required. Input goes directly to the word processing center through input processing equipment for keyboarding, formatting, proofreading, revising and final output. The word processing center should be staffed with correspondence secretaries who are well-qualified to handle all types of business documents. The mechanics of grammar, spelling, etc., should be highly functional on the part of all correspondence secretaries.

The administrative secretaries perform all administrative support functions for managers or principals within their respective departments, but do not keyboard written documents for the principals. They are responsible for files, mail, visitors, reference materials, telephones and other assigned tasks and projects. They should be trained to assist managers or principals in every phase of their work.

The word processing system will provide management, administrative and secretarial personnel with an environment for effective communications. Job enlargement and expanded career opportunities can result from a more efficient and economical operation.

The system designed may vary from the one presented here, which includes a secretarial administration manager as well as a manager of the word processing center. However, it may be more feasible to design a center for administrative

support in which one manager supervises both administrative and correspondence functions. Managers and principals may be located within a single department or functional area of the organization in which this system or configuration is implemented.

A word processing system should always be designed to meet the needs of those it serves. When a system serves the system, it is likely to be costly and ineffective. For this reason, any organization considering word processing should be prepared to get deeply involved in studying its present environment, making plans and implementing the system which meets its exact needs. The choices available provide ample flexibility.

Planners should consider many factors to provide a people-oriented environment for word processing, and like all people-machine-related office concepts, the designers, planners and managers should have an extensive set of environmental and processing goals to meet.

Years ago the accounting department could be said to have "processed data" or "analyzed information and data" for a business system. This is hardly the way data processing or system analysis is used now. Research reveals how involved data processing has become and how useful results are dependent on the functional interactions of man with the computer.

Similarly, the secretarial worker is rapidly evolving. From the stenographer, typist and filing clerk who "processed" paper, the correspondence secretary is becoming a word processing specialist. Remotely located, linked by recorders and dictation devices, and supported by automated typing equipment, the informational production for professionals now requires a new set of tools and facilities to produce useful, economic and satisfying results in business communications.

The word processing center is one example of the powerful new reality of the machine-related office. As manager, planners and designers, we have the responsibility for making it humane, effective and ready for the options of the future. I think you are going to see real economy in preparing quality documents through better utilization of personnel in a more sophisticated program. This program is going to be a little different than when you bought a five or six hundred dollar typewriter and you walked away and everyone else walked away and the secretary went to work to do the job.

To maximize efficiency, you need magnetic keyboards, input word processing equipment and copiers arranged to meet your needs. Top management, middle management, and secretarial personnel will be involved in any word processing change. Personnel and training staffs should be involved at the start. The new approach requires new personnel and training plans to meet the newly designed programs. Managers and administrative personnel can both benefit from these changes now and in the future.

WORKSHOP D

EVALUATING THE PERFORMANCE OF A PURCHASING DEPARTMENT

WEDNESDAY MORNING, MAY 9, 1973

Moderator Wallace B. Rogers, Director of General Services, Cornell University and Vice-President of NAEB: This is the Workshop on Evaluating the Performance of a Purchasing Department. We have with us today two panelists.

On my left is Joe Fornes who is now Assistant Director of Purchasing, Division of Purchasing, Department of General Services for the State of Florida. He assumed that position on the 16th of April. Formerly he was Director of Procurement for the University of South Florida in Tampa.

He holds a master's degree from the University of South Florida, has attended the Purchasing Executive Seminar held at Harvard University and most of the NAEB sponsored courses. While at Tampa, Joe took a leading role in the Florida West Coast Purchasing Management Association, an affiliate of the NAPM, and is a Past-President and Director of National Affairs of that organization.

On my right is an old friend of mine, Dr. Paul Bacon from the State University of New York at Buffalo. Paul really needs no introduction to this group. While many of us are students of purchasing, I think it is reasonable to say that Paul is a scholar of purchasing.

Dr. Paul A. Bacon, Assistant Vice-President for Business Affairs, State University of New York at Buffalo: Thank you, Wally.

In a discussion of evaluation, a colleague of mine said that we "appraise" people and "evaluate" positions. Webster states that "appraise" is to set a value on, as goods, to judge as to quality or status. The same source states that "evaluate" means to ascertain the value or amount of; to appraise; in math to express numerically. From the foregoing, there seems to be little that we can extract as to the "how to do" processes of evaluation or appraisal.

We do, however, have some expressions of opinion regarding the topic of this workshop. Some have said that evaluation is virtually impossible. Some contend it is very difficult, if not impossible, to compare one purchasing department with another — even departments within the same organization. Why? Because the basis of comparison, in many instances, is not the same. The rules of the game are not the same. Those who make this contention have recognized the situation that comparisons, to be valid, must be between like items or situations.

Some are quite content to witness a steady improvement in certain quantitative statistics relative to the purchasing department, and have not shown a tendency to compare one department with another.

There are still others, some of whom are top administrators in colleges and universities, who contend, first, that it is easy to make comparisons, and will do it at the drop of a hat. Generally speaking, the approach goes something like this:

XYZ University has twice as large an enrollment as we have and they have less people in their purchasing department than we do. Therefore, we're over-staffed and operating a very inefficient department which, above all, needs no further additions.

The foregoing comparison was easily made, as was the decision concerning future expansion. Such a judgment may well cast the die as far as the department's future growth is concerned, to say nothing of what such action does to departmental morale. This type of comparison is undoubtedly the worst kind of position possible. This is the type of situation to which **we** should address ourselves and about which **we** should be most concerned.

Bob Mullen of Harvard said last year ". . . if we don't do something in the way of evaluation of our purchasing departments, others will, it will be forced upon us." It is possible that an evaluation imposed might not be one that is to our liking.

It appears safe to say that in the past year we have quite frequently heard the words "accountability," "efficiency," and even "evaluation." These words were not used with a great deal of thrust in the academic world until recently,

and appeared to exist primarily for those organizations maintained for profit. We have heard some other words, too, such as "minimum loads," "long-range planning," and cutbacks such as the curtailment of fringe benefits. Many speculate that the primary cause of this scurrying about in the academy is due to certain economic conditions. High costs resulting in higher taxes, particularly where state university systems form a large portion of the respective state budgets, have focused legislative attention on our institutions. The fact is that various of the foregoing descriptive words or phrases relative to institutions of higher learning undoubtedly will be used in conjunction with educational purchasing departments. It seems quite obvious that our departments will come under scrutiny. How and in what form may be questionable at this time. Will it be a "flip," "off-the-cuff" terse comparison with some other educational purchasing department by an administrator, or will it be a sophisticated appearing shallow examination by some consulting organization that is taking a look at this type of operation for the first time? Either situation is unfavorable toward purchasing. Remember Mr. Mullen has warned us that if we don't do something, others will do it for us. In effect, he has said, "take the offensive, instead of waiting for something to happen and then defending the position or allegations."

If an evaluation of an educational purchasing department is not to be of the flippant "off-the-cuff" type, who should make the study? Should it be a self-study? Should it be made by some consulting firm or by fellow educational purchasing agents? Should it be a combination? What should be included? What would be of assistance in either comparing the department to itself using different time periods, comparing one department with another provided criteria are available to validate such a situation, or setting some type of "benchmark" for judging all educational purchasing departments?

Perhaps we should look at our goals and ask "what is an educational purchasing department supposed to do?" Most of us in purchasing have heard it said that we perform a service function and that we are a service department. Some would caution us by saying "service" but not "servitude." If we accept the concept that we are a service department and are there to serve and enhance the academic areas and to assist them in performing their teaching, research and service, we then must determine what is important when we provide this service.

Our counterparts in industry must provide service; therefore let us briefly look at what some of them are doing. Some contend that the sum total of all of the buyers' efforts constitutes the effort of the purchasing department. One profit-making organization rates its buyers in a program called "Purchasing, Evaluation and Performance." Their basis involves four items.

1. Percentage of on-time deliveries
2. Number of P.O.'s placed
3. Dollars of acceptable items as a percentage of orders placed
4. Percentage of profit contribution

Under this system, varying degrees of difficulty in various categories are recognized. The percentages, such as on-time delivery, are handled on a scale 95+% on-time gives the buyer 110 points, and it is graduated down to less than 65% which is designated by 20 points. This particular approach reflects the individual buyer's performance and likewise that of the purchasing department.

We might be interested in the performance with reference to the first two: namely, the percentage of on-time orders and number of P.O.'s placed.

Others rate buyers on suppliers' performance. Adherence to delivery date

seemed to be the predominant factor: for example, if all orders from a certain company were on time, the company would be rated 100%; if only half, 50%. On time in this particular instance was ten days before to five days after the agreed upon delivery date.

Some of the criteria are not really applicable to nonprofit organizations. However, there is one measure which is of utmost importance to almost any working situation and is applicable to purchasing and purchasing departments. That element is time. Time is very important to a purchasing department. We are constantly dealing with deadlines and emergencies that involve time limits. Many of those in institutions of higher learning will quickly point out how purchasing for an institution of this type differs from a vast portion of other purchasing. They say that obtaining materials and supplies at the proper time is extremely important for the correct sequencing of the educational programs. It is extremely important for the graduate programs, particularly when it is realized that time is of the essence regarding the research necessary for a doctoral thesis. If someone else precedes the candidate with the same material, he must start over.

For many other reasons, time is extremely important in our lives and in the life of our respective institutions. One ingredient in the evaluation of a purchasing department would be one that reflected on the operational intricacies of the department itself: the elapsed time from receipt of purchase requisition to the mailing of the purchase order. It would seem logical to assume that one of the most important steps in the procurement chain of events is to receive the requisition and process it into a purchase order as a viable commitment of the organization. If such is not done in some form or other, very little, if any, purchasing is accomplished. The measure of this process undoubtedly reflects on efficiency and use of time.

Perhaps another measure that would be beneficial in evaluating a purchasing department would be one that reflected on the operational intricacies of the department itself: the elapsed time from receipt requisition to the mailing of the purchase order. It would seem logical to assume that one of the most important steps in the procurement chain of events is to receive the requisition and process it into a purchase order as a viable commitment of the organization. If such is not done in some form or other, very little, if any, purchasing is accomplished. The measure of this process undoubtedly reflects on efficiency and use of time.

Still another measure that would seem feasible would be the elapsed time from receipt of goods at central receiving until a signed receipt is obtained from the requisitioning department. Such a measure gives an indication of the efficiency of the receiving/delivery system. On many campuses the purchasing department does not control the delivery pattern. However, if an effort is made to measure this phase of the operation, the statistical analysis undoubtedly would benefit the requisitioner. Receiving and distribution is a part of the procurement chain and requires attention if we are considering efficiency of the purchasing department.

To this point, we have looked at principally three statistical measures involving time: namely, the elapsed time within the purchasing department from requisition to order, the on-time measure of deliveries by the vendor and, finally the receiving/distribution phase on the campus. Top performance in all three categories should be a primary objective of all purchasing departments.

Some purchasing agents feel that the evaluation of a purchasing department should have some emphasis on the quality of service as well as the quantity. To a certain extent, the statistical measurements of the three time elements previously

mentioned express a measure of quality. However, these measurements are at best only an indication of effort, not a guarantee of a level of performance.

Earlier it was stated that the purchasing department of an institution of higher learning is considered to be a service organization. The question arises as to the clientele served by the aforementioned type of organization. The clientele of an educational purchasing department is the faculty, staff, administration, and students of the respective academic community. When we think in terms of quality service and who sits in judgment regarding that service, we must think in terms of these groups. To obtain more direct information regarding quality of performance we should seek that information from our "clients." Some will hasten to say that the information regarding quality of service will all be in the negative. If it is, perhaps there is a reason.

How can we best obtain information from our "publics" or our "clients"? One way is random sampling or some method which will not "stack the deck" one way or the other. Perhaps the formulation of a short, multiple-choice type questionnaire, answerable on a one-through-five basis, such as Excellent Service, Good Service, Satisfactory Service, Poor Service, Extremely Poor Service, would be best. From such a one-to-five spread an average could be ascertained for quality of service. An average could be obtained on how the rest of the academic community views the quality of service of the purchasing department.

The final score of the purchasing department might be weighed as follows: 50% statistical (the measurements of elapsed time); 25% faculty opinion; 12½% the opinion of other staff areas; and 12½% that of higher administration. The foregoing would result in a numerical figure, thus giving a rating for the department. There is at least one other method of evaluation, perhaps more subjective as opposed to statistical but undoubtedly valid.

We in higher education are quite familiar with the various accrediation associations or agencies. As you know, this is a familiar method of evaluating most, if not all, of our academic programs and thus the institution.

Mr. Russell Reynolds, General Manager of the National Association of College Stores, Inc., was kind enough to send me a copy of the Accreditation Program of their association. The material is titled "Guide for the Evaluation of College and University Bookstores." I would like to quote from the aforementioned Guide:

"THE NATURE AND PURPOSE OF ACCREDITATION

Accreditation of college and university bookstores offered to member stores by the National Association of College Stores has a twofold aspect. It certifies that the campus bookstore satisfies the minimum standards in its contribution to the academic goals of the college or university community. More important, it assists the institution's administrators in identifying problems relating to the bookstore and encourages continual improvement of the bookstore operation. The process of accreditation includes two examinations: first, the bookstore's systematic self-examination and a subsequent examination by the visiting committee representing the National Association of College Stores.

This guide is intended to help the bookstore and the institution it serves prepare a report based on its self-examination for the visiting committee. It will assist the visiting committee in making an evaluation. It is not the intent of this guide or the National Association of College Stores to suggest that college or university bookstores should conform to certain established patterns or methods of operation. Each administration should be free to formulate and pursue its own goals and

determine how its bookstore can most efficiently contribute to the educational needs and financial well-being of the institution.

The guide seeks data pertaining to the whole institution and more specifically to the campus community served by the bookstore. It is essential that the bookstore operation be considered in relation to the institution it serves."

Then they have section "Preparation of the Report." Including several schedules:

"Schedule A — Type of institution
Schedule B — Environment surrounding institution
Schedule C — Nature of college community
Schedule D — Control of bookstore operation
Schedule E — Bookstore management
Schedule F — Bookstore operational structure
Schedule G — Bookstore environment."

The Guide further states: "Each of the schedules is introduced by a basic question. The detailed information requested in the instructions which follow will provide the answer. The quantitative data in themselves are not the most important result of self-study, but they provide fundamental information for the visiting committee and enable it to devote most of its time on campus to the primary task of evaluating the bookstore operation and its contribution to the whole institution. These schedules are intended to be comprehensive and every effort should be made to provide all the information requested.

Further, "To be of maximum value, the self-examination and the preparation of the accreditation report should involve key administrative officers, appropriate faculty members and student representatives. Those who have prepared particular sections of the report should be names, with identifying titles."

Mr. Adrian Morgan of Ohio State University supports this type of approach and has expressed his thoughts in writing and has circulated them among several of us.

The statistical questionnaire type evaluation gives the purchasing agent an indication of how well his organization is doing, particularly if the method has been used for several periods of time. It also gives him some indication of where trouble may occur. In addition, it hopefully will give the purchasing agent ammunition which will allow him to take an offensive position as opposed to the defensive. If, as an educational purchasing agent, we can say to administration, "There is an identified problem which is being solved," we are in a better position than waiting for someone to tell us we have a problem. It is most tragic when we cannot identify our problems, because it is very difficult to solve an unidentified problem. Many would say that once a problem has been identified, it is partially solved.

The approach taken by the Association of College Stores requires a self-study or self-examination. In addition, the accreditation approach brings to the segment of the institution to be accredited certain experts who evaluate the situation. This method brings to the institution consultative service and expertise generally not otherwise readily available.

There are advantages to both systems and perhaps each has its place. The first, self-evaluation, may be an ongoing process, while the second, the accreditation, a periodical study. The combination may well fulfill the statement that I made last year that all we ask in purchasing is that we be judged fairly on our merits.

Mr. C. J. Fornes, Assistant Director of Purchasing, Division of Purchasing, Department of General Services, State of Florida:

(Slide) This first slide shows the nine universities and where they are in the

State of Florida. We have tried to become a university system rather than a system of universities. The Interinstitutional Committee on Purchasing (ICOP Committee) is made up of the director of purchasing from each university.

(Slide) The next slide shows a head count enrollment at the University of South Florida. We must be concerned not only with how many requisitions flow into our department but know what the trends are. To hire the kinds of purchasing people you need, you need to know what is happening to your enrollment — your graduate enrollment, the lower division.

(Slide) This slide becomes a little more specific. This data is not actual. It is based on fact, but it's a made-up chart. As you can see, the educational majors grew very rapidly in the sixties and in the seventies also. It is beginning to taper off and possibly will go into a decline. Because of ecology, you can see the biological sciences are on the increase. I think this has very real implications for you as purchasing managers in the skills and the type arts you need to be planning for in the years ahead. You can see that a medical school came on board. This had very real implications for me in planning for the type of person we needed. It can take many, many months to find the right person.

(Slide) The next slide gets into what we call a "Uniform Transaction System." "Unitran" is its acronym. It is simply a management information system. We recognized the need for this management information system and it was proposed by the Council of Administrative Affairs. Our thinking tended to be kind of narrow at the outset and what we got to begin with was the accounting oriented CORE financial system. Purchasing, auxiliaries and other agencies had very little input and we ended up with a system that we couldn't live with. There was a re-evaluation and a re-development. We could have had management consultants come in. But we used our in-house people and the ICOP Committee. I agreed to chair a subcommittee which was called the Purchasing Portion of Unitran.

We, in purchasing were to tell the system people what we wanted. Usually it is the other way around: they tell us what we need and what they are going to give us. That is the reason CORE wasn't as meaningful as it should have been. We chose four people to serve on this committee with me. The system could not restrict the internal procedures and the data requirements of each of those nine universities. We had to come up with a uniform system and yet it couldn't restrict their internal procedures.

In the Unitran that developed much of CORE was used. We had to identify briefly what Unitran was to be. As we went along, we found out that the work began to flounder and we had to go back and get the chancellor, the presidents and the vice-presidents to reaffirm that "Yes, we need it." They forced us into making some projected completion dates.

(Slide) What is an information system? I have shown a kind of cone with input and output. There is so much data in a purchasing department that if we don't combine it in some meaningful way, we can't deal with it. The purpose of gathering all this data usually is to save money and improve control. In order to get this from that data once we must put it into some meaningful classifications. Then we are able to make decisions and realign functions. Purchasing decisions, systems decisions, and performance decisions are possible.

Mr. Keith M. Munk, Assistant Purchasing Agent, Utah State University, Logan, Utah: On this purpose, is this in sequence of importance?

Mr. Fornes: No, it isn't. This is just an approach. My system won't necessarily

work for you. This is the way we attacked it, and I hope from the discussion today you will point out to me flaws in our reasoning — maybe you can help us.

From this, reporting functions might develop. Should the purchasing agent report to the controller? I don't think so. The vice president, the president?

(Slide) There were about six or seven committees. There was a coordinator of Unitran and he worked out of the office of the Board of Regents. He gave us this system, this framework in which to place it, and our subcommittee began trying to put it together. We could condense the system objectives into a few paragraphs.

The data elements. What are data elements? We spent a lot of time trying to develop data elements. We had several meetings devoted to trying to put it into A, B, C, D. It just didn't work. We started to look at the second level design. We started analyzing the old system, looking at the flow charts and each of the nine universities provided me with a flow chart of their existing system.

With the outputs defined, it began to make sense to me. I knew what we wanted. When we started thinking of outputs we were able to decide what it would take to get where we wanted to go. We then began to see how it would interface with other systems and what the other systems provided. We turned this documentation over to our systems analyst, once it was approved by the total purchasing committee, nine universities, by the finance accounting committee, and the other committees with which we interfaced. He put it into a form that is meaningful to a programmer. Most of us can't do that, but we can tell him what we want and what it looks like.

We are in the second level now, and the third level will be the internal control evaluation which I think is a very important step. The systems resource member is beginning to put it into program type language. There is much interaction back and forth between him, me and our committees. You just can't turn it over to him, he may provide something you don't want.

(Slide) Here is that phrase "Data elements." We had at least three times that many data elements initially. The reason this is a short list compared to what it started out to be is many of the systems that we talked about interface.

(Slide) Here they are: CORE, contracts and grants, personnel payroll, accounts payable, and purchasing. You can see that CORE interfaces with every other subsystems. Purchasing probably ranks second. So you are involved with all of these other subsystems. Without your input, they just can't get off the ground. The purchasing department should get very involved with any management information system that is coming on your campus. If it isn't there now, I believe that it will be in the coming years.

There are some of the interfaces that allowed the data elements to be condensed. Some of what we need in the system is provided by other subsystems.

(Slide) I would call this a data gathering model. It runs at the bottom it says, "General" and it runs to "Specific." What most of us in our purchasing departments get is very general; you had 20,000 purchase orders and it was $6 milion. Maybe I want to know what portion of that was for capital purchases. We can go from general to the very specific. If we want to know how much was in-state, how much there was for furniture, how much of it was for bids with advertising, and how much that purchasing agent No. 1 processed, you can get as detailed or as specific as you choose.

(Slide) This is a requisition purchase order status report. As you can see it says, "A time interval any given requisition is held beyond its assigned completion date, purchase order issuance date." You determine these completion dates from

your history records. For me, a bid with advertising that exceeds $2,000 may take on the average thirty-one days to complete. By seeing this report, you may want to ask a question about a symptom which may be indicative of a more serious problem.

(Slide) Now you see a purchase order number on the report. It means that the requisition has been converted to a purchase order that has been issued to the vendor. The dollar amount. You can see it is late by sixteen to thirty days. Is that a day he quoted to you or is it a guesstimate? It's probably just a guesstimate. So maybe from five to sixteen to thirty days, the purchasing manager and the buyer won't get too excited about it. It shows you have already sent one tracer for your expediting. You can glean a vast amount of information from a report such as this. Any questions?

Mr. Egbert, Brigham Young University: I assume that you have this all on computer and that it gives you a feed-out into your central office. Is that correct?

Mr. Fornes: It will be, yes.

Mr. Egbert: Now does the buyer himself give you the data? I mean does he record every requisition that comes in?

Mr. Fornes: No, the buyer wouldn't. It would come in to some central place and keypunched or whatever the appropriate method is for entering the data. In the system we propose, it is done prior to getting to the buyer. This system is very flexible, it doesn't have to be done that way. In a one- or two-man purchasing department, maybe you don't need to get so sophisticated. Some of the purchasing offices in the State of Florida aren't particularly large and they won't want to go the whole distance on this.

Mr. Thomas, Boston University: Did you do a concentrated analysis of what this system would cost you to set up and run, what the tradeoffs were for the information gained versus your initial investment?

Mr. Fornes: This is a very good point. One of the things which I think I said at the beginning is that we weren't really given a choice. The cost involved really wasn't investigated in any detail. You would certainly want to do it at a private university. We didn't go as far as we should have in that direction, in my view.

Mr. Thomas: Do you have a rough guesstimate of what it costs to set up something like this?

Mr. Fornes: I'm sorry, I don't, Mr. Thomas. I apologize for not being able to respond directly to your question.

(Slide) Continuing with the transaction data. "Purchase record: Provides the purchasing agent information concerning past transactions." The report helps the purchasing agent decide which vendor to use and gives the buyer an indication of the volume of certain products that have been purchased through any period of time. If you look at the printout, you can probably tell more as to what you are going to get. We've got it by commodity code, unit price, quantity, dollar volume, P. O. number, date, account number, delivery time and vendor number. We use commodity coding a lot. We are not as far along as we need to be in this area, but we're working on it both at the university and state level. I heard that Texas was doing some work on this and I plan to contact them after this meeting. You don't have to use all of the information you get. You can use as much or as little as you want or need.

Continuing on the transaction data (and this was the largest portion of the data segments that we talked about), outstanding purchase order reports. It is pretty difficult sometimes to tell what is outstanding and what isn't. You can get weekly, monthly, or quarterly a listing of all outstanding purchase orders and encumbers

requisitions sequentially by purchase order or requisition number. This information may also be used by the invoice processing section.

We didn't try to force the user of this system into any particular organizational lines. Although invoicing can be in accounting, purchasing or any place else, you still get and use the same kinds of information. Transactions may be grouped by department or project code. The detailed listing may be distributed to the various departments showing their outstanding encumbrances. How many telephone calls do you get from these departments asking, "Where is my requisition," "Where is the purchase order?" I would like to get it to them. I think Les Elliott is going further down the line than we are on that. I think he was actually going to let them have terminals or CRT's so that they can see it immediately. Why try to hide it? We think that is very valuable information and we want to give the departments as much information really, as we have. We are just going to try to be sure that we do our job so that we don't get caught short.

Mr. Nathan Crayton, University of Omaha: How much of this do you incorporate into a report for management and how often do you submit it?

Mr. Fornes: Remember the pyramid. The buyer wants to have a lot of information. The president and the chancellor want less information. They want it consolidated. So as we go up the reporting structure from the buyer, to the president, or chancellor, you should consolidate and filter out some of the detailed information. In our universities the report to the vice president is monthly. We can give him as much as he wants. The entire purchasing office of the State of Florida was just audited. All of the universities are undergoing an audit in the division of purchasing. They walked in and we provided them with all this information, it so flabbergasted them that they left and didn't bother us any more. They were as pleased as punch and they think I'm doing a good job. This system can provide any structure or any time frame you want.

Mr. Sitler, Memphis State University: Have you determined what kind of a volume you need before you mechanize?

Mr. Fornes: We weren't really given the opportunity to make that kind of analysis, and I think it should be made. The question which we kept asking ourselves and which the directors of purchasing asked me was, "Is this justified? Should we computerize? Do we have the volume? Do we have the dollars?"

I think in some cases the answer is "No." I don't think you can take any system and computerize it. A poor manual system, computerized, is going to be a poor computerized system. You are going to have to have a system whether it is computerized or manual so that you can organize your thinking and ask what you need and what your manager needs. I think one of the reasons purchasing hasn't climbed up the ladder as far as it should is because you can't report anything except how many requisitions there have been and how many dollars and all that nit-picking stuff. If I were the vice president and you gave that to me, I would throw you out of my office. That is the only kind of information that most purchasing departments can provide. As a manager, I wouldn't care about most reports I have seen.

Mr. Sitler: Are you going to feed it from the whole nine universities into one computer?

Mr. Fornes: No, sir.

Mr. Sitler: Everybody is going to have their own computer?

Mr. Fornes: We have three regional data centers across the state. We are talking about this uniformity of reporting that Paul mentioned awhile back. How

can I compare the University of Florida, and the University of South Florida, unless we are inputting some standard and uniform data? This system demands that certain information be put into it. If the system says I have to put in dollar volume, the number of purchase orders, I have the input of what the chancellor, for example, wants out of the system. After you get down lower, the University of Florida may want more or less than I want and I have the flexibility to do that.

(Slide) More transaction data. P.O. closeout analysis. What this tells you is the date the invoice is received complete, date material received, part or complete. Is the invoice section sitting on something that could be processed for payment? Vendors are pretty important to us and we like to process invoices promptly. We tell them, "We'll give a firm 2/10, net 30. We know very well that we can't process anything in ten days. I think this is unfair to this vendor. This will tell you whether you can or not. If you can't be realistic and change it or, if you can, maybe you can jack somebody up. But, as I say, this identifies those purchase orders received before the invoices, or whatever, are input to the master file but require some action to meet the closeout criteria. This comes out monthly. It could come out weekly or daily. It depends on how much you want to read.

(Slide) Additional transaction data. The receiving acknowledgment produces printed receiving reports from the receiving card input. Maybe this vast amount of information overwhelms some of you, but you don't have to use all of this. Some of the nine universities we included wanted half this much and others wanted more. So this is a compromise and, again, you don't have to get all of the reports.

Mr. Egbert: Are you in control of your accounts payable section as well?

Mr. Fornes: Yes and no. We have what we call invoice processing and that comes under purchasing. The receiving reports and the invoices are matched to the purchase orders and compared. Then it is sent down to accounts payable. We keep pretty strict control over that. If they don't get it out within the turnaround time we have agreed upon, we're on them. I have a beautiful relationship with the Director of Finance Accounting and so, yes, we do have control as a practical matter.

Mr. Uel E. Murphy, Materiel Manager, University of California, Riverside, California: Why don't you match your invoices in the computer instead of doing all this manually?

Mr. Fornes: We plan to do that. There are a lot of things that can be done. We are processing invoices the same way it was done twenty years ago and it bothers me every day. I have asked your question and hope that we are going to do it.

Mr. Murphy: We have a system that matches the receiving report, invoice and purchase order in the computer and automatically processes for payment.

Mr. Fornes: I'll get your system and use it.

Mr. Rhilinger, University of Tampa: After you match your invoices and send them to accounts payable, why do you spend your time riding herd on them?

Mr. Fornes: We don't really ride herd on them too much. It is kind of management by exception because probably 90-95% of the time they do it within the time frame.

Question from the Floor: Are you particularly concerned about how quickly your vendor gets paid?

Mr. Fornes: Yes.

Questioner: Do you feel that purchasing relations with a vendor depend a lot upon expediting of the payments?

Mr. Fornes: I do. That is the reason I think invoice processing, or whatever, should be a part of the purchasing department. We expect certain things of the vendor and he should expect certain things of us.

Mr. Richard Bennett, University of Nebraska-Lincoln, Lincoln, Nebraska: Have you done any management studies on the relative amount of clerical and buyer time that is spent on recording and inputting this mass of data in comparison to actual productive time?

Mr. Fornes: These kinds of studies were not made. A few years ago a decision was made and we were plunged into CORE whether we liked it or not and without the kinds of study that should have been made. Unitran is kind of a backtrack. We are doing some of the things that should have been done at the front end.

Mr. Bennett: Do you have a rough figure as to the amount of your total time that is spent in this recording rather than actual production?

Mr. Fornes: Much of the information we are talking about is recorded at one time or another in any system. I don't think we are adding that much. In fact, you are probably cutting some of it out. As it comes in, it can be keypunched or whatever.

(Slide) More transaction data. This is just a report on errors. It points out what the errors are and you have a chance to correct them, rather than going through the whole process again.

(Slide) Purchasing statistics data provides summary records of current purchase order activity by dollar amount as well as by number of transactions for any data grouping. Now you have to set up and determine what your data groupings are. The data grouping, the code, the number of P.O.'s, the dollar amounts that were issued prior years, months, year to date, prior year to date. This comes out monthly. As you can see, down at the bottom we can get summary figures, totals, by buyers, by the commodities. So you can take this report and get as much or as little as you need out of it for management information.

(Slide) Purchasing statistics data. Cost avoidance report. This created a furor in our nine universities. This report is to be used to evaluate the average savings of any data grouping. The meaningfulness of this report depends on an accurate and realistic pre-encumbrance process. If you use it realistically, it can be very important, but it can be just window dressing.

(Slide) Purchasing agent data. Class of expenditure. "Provides a comparison of process and time among groups of transactions determined by category, handling procedure, purchasing agent." You develop your own categories and handling procedures. You can determine various time frames — your requisition processing time, your handling procedure used, the buyer, the delivery time, the total time. I have 90% completion RPT, Requisition Processing Time. To determine requisition processing time, you measure the time between when the requisition came in and when it is converted to a purchase order. 90% of the time they are processed by our shop and the goods are delivered within 180 days. You may decide to manually check the ones that take too much time.

(Slide) Purchase agent data. This provided the purchasing manager with a complete overview of the processing loads within the organization. As you can see, we've got it by purchasing agent, the requisitions processed, the total, the percentage within certain days, and the total, and by the total processed, the percentage of time elements, what have you.

(Slide) Vendor data. This report is used to provide the procurement department with statistics for evaluating vendor performance. A vendor may have been late in

delivery the last ten times. Now you pull it out and you say, "Mr. Vendor, here is your performance." It lists and totals the purchases placed with each vendor. Am I placing too much with one vendor? I wouldn't know without a very detailed report. We have left field space, which I think is the computer term, so that these reports can be expanded. If we find we needed more data, we have the capability of changing this report. Many times you get locked in with a format from now until forever. We are hoping to be able to build in some flexibility.

(Slide) Expenditures by vendor. This provides a list of all expenditures for the period in alphabetical order by vendor. Again, we can tell exactly how much we spent, for example, with Allied. The P. O. number, the order complete, the total and the purchase order amount are listed. This is what we provided to the computer resource people. As I look at some of these, I think we will probably consolidate some of the information into fewer reports. Now we have about twenty reports. In the beginning we had hundreds. I spent many hours consolidating and talking others into believing that they didn't need all that information.

(Slide) Vendor mailing list. You mail the vendor a request for quotation to one place and you may send his check to another. Also we can use this to provide bids to a vendor in a particular product category. Although this probably won't be used by some universities, I think it will be used by the larger ones.

(Slide) Budgetary data. This report provides the daily records of all requisitions that cannot become purchase orders because of insufficient departmental funds. This comes out daily and notification is made to the department as to why the requisition couldn't become a purchase order.

Mr. C. P. Gullo, Purchase Associate, State University of New York at Stony Brook: Shouldn't budget do that?

Mr. Fornes: My philosophy is that I want the requisition to come to the purchasing department first, not the controller so he can do his thing with it for however many days. We input it and right away we know whether or not we can do anything with it. It can be done the other way. I happen to not like that way but that doesn't mean it is wrong.

(Slide) Bid deposit analysis. We require bid deposits usually on capital equipment. It is a sizeable amount of money and we want to keep strict control of it. This money is usually invested. Then when the job is completed satisfactorily or they pay for a performance bond, we return it. When someone calls us and asks, "Where is my bid deposit? Why hasn't it been returned?", this report tells us right away.

(Slide) Budgetary data. This we use for building accounts. In past years many buildings were on federal funds. We could record on a day-to-day basis just exactly what we spend to be reported to the HEW.

(Slide) Special transaction data. This tells the purchase order, the account number, the period of the blanket order, the amount, the amounts cleared, cleared this month, the total amounts cleared, the balance, the number of price increases. With this kind of report, you can keep continuously abreast of just what is happening in these blanket purchase orders. At the end of the year, you may have found that you could have bid it in a better format. You might not know that unless you have this kind of printout.

(Slide) Report on state contract use. In our state, the Division of Purchasing requires that we send a copy of each purchase order to them so that they can then get the statistics on the usage and so forth. We send them a monthly consolidated report.

Mr. Gullo: Does your state have state contracts which you are required to use?

Mr. Fornes: Yes, sir. State agencies are required to use these contracts. Political subdivisions have the best of both worlds. They can use what they want to use. The universities and the other state agencies do not have this option and they must use the state contract.

(Slide) EDP capabilities. What we had been talking about today it seems to me was in that first level. We generate the data and massage it, the computer processes it and spews it out. Then it comes back to the purchasing manager for a decision, and some action is taken manually.

On the second level, the computer generates the data, a decision is made manually, it is programmed, the computer is programmed to take some action.

The third level: The data generation by the computer, the decision is made by the computer, the action is taken by the computer.

The fourth level: The data generation by the computer. There is a simulation. A decision is made from that and action is taken. And I think this simulation could be expanded very well to purchasing and the stores operation. I guess it will be quite a few years before we can get to that fourth level, but I think it is entirely possible.

Mr. Deubell, University of Cincinnati: Joe, you had several questions devoted to how much it would cost and what the size of it would be before you would go into it. I could offer a sampling from our own institution.

We currently are spending, through purchasing, $33 million a year which includes some construction, design work, and furniture for new buildings. Our accounts payable is already on computer. To add purchasing to this system, a feasibility study indicates that it would cost us $100- to $120,000 to install and a net $20,000 a year to keep going. You have to keep in mind that there is qualitative information that we cannot get manually. We don't want the reports that you have indicated in detail. We want exceptions only and summaries of recap information, so that every five or six days the buyer gets the exceptions — something that is overdue on delivery or have lost a discount for some reason or another.

Apparently the worse your manual system is the more you can justify going on the computer. If you have eight or nine expediters and twenty typists and they are spending half their time on repetitive information, then it is feasible for you to switch over to computer now. But one cannot ignore the possibility that you may need computer help. The feasibility study will not be a loss because we know that at some point in time we may find that we need a new system to save money or improve services.

Mr. Richard L. Crowley, Director of Purchases, Pennsylvania State University, University Park, Pennsylvania: Joe, this information looks very nice and it may be a very valuable tool. To me it looks like it would be very interesting statistically, but I think we have to establish our own priorities with our management system. Are these statistics really useful? For instance, when I went to Penn State, I could have given you statistics that you couldn't believe — like how many phone calls were made. This may be interesting, but of what use is it? My priorities are getting orders out quickly, and cutting down on the paper flow and personnel. Maybe I am going the wrong way, but I am eliminating all that because I don't think management really cares. I think we can get bogged down very quickly on some of these statistics.

Mr. Fornes: I agree, Dick. Your comment is exactly like mine. All of this data is no substitute for good management. If you gave me the choice, Dick, between you

as purchasing director and someone else less skilled who would have all of this data, I would take the good man without this who can produce a good system. But I think this can be valuable. As I indicated, you can use as much of it or as little of it as you want. With some of it, we have very little choice.

Maybe Penn State and some of the other public institutions are not going to have the power to decide what the information they will provide and what they will not. In the State of Florida, we are forced to provide most of this information.

Mr. Crowley: We have to submit reports monthly and quarterly. I would like to think that what we are trying to do is give them a readout on what kind of a service department we are and how we really perform for the university. Are we performing a function that they want us to perform. All of our reports don't really mean anything to a fellow in the laboratories or to someone who is trying to get a product in.

Mr. Fornes: I agree.

Moderator Rogers: With that, the sun has passed over the yardarm. It is time to adjourn for lunch. Paul and Joe, I want to thank you for a very stimulating session.

WORKSHOP E

MINORITY VENDORS

WEDNESDAY MORNING, MAY 9, 1973

Mr. Frank P. Lopez, Director of Purchasing and Services, Manhattan College, Moderator . . .

Mr. Lopez: Good morning, ladies and gentlemen! Our session is Minority Vendors. Not only is this an important aspect of the social criteria of our times, but as purchasing people it is very important. We are always looking for sources of supply, and this is a major area of sources of supply that we may have overlooked.

This morning it is my pleasure to introduce Mr. Richard Clinkscales, who is Director of Marketing and Procurement for the Office of Minority Business Enterprises. Dick is responsible for the manipulating and establishing of programs to expand the markets, goods, and services produced by minority firms.

Mr. Clinkscales is a graduate accountant and has an extensive background in small business development with the General Services Administration. Dick has assisted individuals and firms in marketing their products for services to GSA and other federal agencies, and been instrumental in development of GSA minority business enterprise programs.

Mr. Richard Clinkscales: As Mr. Lopez has pointed out, the purpose of our workshop this morning is to share with you some information on the history of the minority business enterprise development.

We have assembled for our workshop this morning with a panel of individuals who have considerable experience in the field of minority business development, and specifically, in the area of minority procurement: Charles Sterling, Director of the Development Council in New York City. The Development Council is a consulting firm with considerable expertise in the area of helping industry design and implement minority purchasing programs. Harry Melton is the Corporate Minority Purchasing Coordinator for the Sun Oil Company of Philadelphia. Sun Oil Company is a major U.S. corporation that has designed and implemented what we feel is a

very effective and successful minority purchasing program. Mr. Melton will share with you some of the trials and tribulations that his firm has gone through to develop the program to the point where it is today. Mr. Joseph Conrad is the Director of the Small Business Administration Minority Vendors Program. Our first speaker will be Mr. Charles Sterling. His topic will be some of the programs that his organization had designed in assisting industry in developing minority purchasing programs.

Mr. Charles Sterling: As I look out over this room, with the opportunity of talking to so many purchasing agents, I have tried my best to sort of conceive the kind of environment that you are working in. It is a paradoxical kind of environment that major institutions, such as yours, are finding themselves in when the country is demanding a social responsibility in terms of purchasing from minority corporations. Certainly, as purchasing agents, you are concerned with one fact: quality at low price. And there is the paradox, because oftentimes you are not finding that with some of your minority vendors which we might list as qualifiable. As we at the Development Council view it, that is, in terms of developing relations with minority group on enterprises, certainly one of the most difficult tasks in furnishing your institution.

We have concluded that these relationships will never exist unless initiative comes from your institution rather than the other direction, and that these must exist in your institution to contribute to the economic development of minority groups, and thusly, many of you have constructed an institutional purchasing plan, and we would like to briefly talk about that.

We have had the opportunity to talk to many universities, and most all of you have stated, "We have an affirmative action program." In my opinion, that is merely an umbrella for you to set into motion a viable purchasing program. From that you must develop a purchasing program out of your affirmative action program.

Let me give you what I would say in terms of making an effective program. First of all, there must be a corporate policy. In other words, from your institutions, from your affirmative action programs, draw out of that a very specific kind of purchasing program, and a policy from the president, or whoever would have the kind of power that everyone could relate to. There must be a specific designation of your institution's objectives concerning the dollar amount to be purchased during a duration of time.

So, we are suggesting that you might have a timetable and develop it in order to make this happen. Many of you in this room might be the ones that are asked to make this program really happen. There must be a designation of a specific individual responsible for progress and federal backing of this program. This person must be the like of my associate, Harry Melton, who has that particular designation at Sun Oil. There must be detailed guidelines for implementation, follow-up, and review. This is certainly something that you have to transmit to those that are working in your department.

They are asked, how many minority suppliers have they done business with this month, and how do their purchases relate to the overall goal for that particular year. I think you also must think about a very, very important point, and that is how you can integrate into your buying cycle minority vendors, when for years, you have been doing business with tried and proven vendors. How are you going to creatively involve minority business?

Another very interesting area is the specific identification of minority companies across the country that can supply your needs. As you look at that kind of

profile, I think within your own institution you should take an inventory of those areas where minority companies can easily fit in.

I am now talking about a first-stage kind of program. Let me give you an example. We are working with one of your members and we wonder just where could they purchase sizeable contracts with a minority company. We suggested two areas. One, we said, "Why don't you carve out all of your fuel oil purchases, your faculty homes?" And they thought that was a very good idea. We also suggested another area, which would be in construction. I might say to you that their program certainly became extremely successful because they could, first of all, look at some qualified vendors in the fuel oil business, and these contracts are to fuel oil companies — $115,000, and to the minority construction company it represented, $750,000. So, we are not talking about nickel-and-dime kind of contracts. We are talking about meaningful contracts to make these minority companies viable. I think you can look now at the overall purchasing area of your institution and look at the areas where minority companies request immediate participation.

Another area of concern to make your program successful is the use of outside economic development organizations. Mr. Clinkscales will talk about his network, and how that is set up across the country, and, certainly, my own organization is concerned with that particular area.

When I sign off to the various companies that I write to, I state that I happen to be working with you for bigger and better sales, and this is really what minority companies are saying to you, that they can provide you with a great deal of profitability.

I am certainly sure that you can provide a great deal of assistance in making this thing work. I am sure that when you hear what the other fellows are saying you will see just how easy it is to do.

Mr. Clinkscales: I now introduce Harry Melton of Sun Oil Company.

Mr. Harry Melton: I would like to talk about the background and what the problem is because I think you have people eminently qualified up here. What I would like to do is give you an insight to our experiences as a private corporation, and some of the experiences I would anticipate that you would run into in the process of implementing a minority vendor purchasing program.

In mid 1971 Sun Oil Company, which is a Philadelphia-based corporation, with retail operations in the eastern two-thirds of the country, and operations in and out of the United States, continued to recognize that there was a social responsibility but that there was also a responsibility to stockholders, to the corporation's employees, and to its customers.

We are looking for ways in a very broad minority affairs program on how we could make some impact, and we recognize that we sent hundreds of millions of dollars in purchasing goods and services across the country. We hoped we could turn this energy purchasing into something that would help people to help themselves. So we started right at the top, and this is extremely important if you are going to do it. Develop a committee and corporate policy backed by your top corporate — or institution management.

We developed a policy intended to stimulate the economic growth of minority sectors by helping to develop minority enterprises which can both provide jobs and useful goods and services competitively. And that, in a nutshell, is what we are attempting to do.

We have four avenues that we are seeking to accomplish. Number one is purely to increase the amount of purchasing dollars that we channel into minority-

owned firms. Secondly, we have agreed to provide assistance, not only in areas where we think we are smart enough, to minority-owned firms who need advice or counsel in such areas as accounting, marketing, and management of the firm, because, frankly, in our dealings with the minority firms we have found most of the operational and production expertise already in control of marketing know-how, the ability to know where to start, and in dealing with institutions or corporations where the help is most needed.

Thirdly, we are encouraging other companies, including our own suppliers, to implement like programs. Now, this immediately raises the question, how about your supplier who will say, "Well, really, aren't you just trying to rip off some business that I have been supplying to you for years?"

My answer here is, this happens very rarely. We are looking for areas where there might be new ideas, new goods, and services. We encourage them to realize that in the long run, and maybe this is a very long run, but directly, the program is to their benefit to channel dollars into minority-owned firms, which in turn provide jobs for people who in turn pay taxes, and produce as much, and perhaps more, than they consume. With the year's experience behind us, we have had very little problem in this area. We have contractors who are working with us in seeking out minority-owned firms for their own subcontracting uses.

The fourth point I should make is that we are implementing a policy to cooperate with government and all profit sector programs in this area to the best of our ability.

The first thing we did in late 1971, after developing a policy and saying what we really wanted to do, and how to define it, we wrote a big manual and said, "These are all the reasons why we want to do this." There is a good deal of theory, social and logical considerations, and the first thing we said was, "We are instructing our purchasing managers that this is strictly a purchasing program." They might have to relax certain purchasing criteria, such as price, delivery, quality, such as it might be the wrong color, it might be two inches shorter, but you have to expect this.

The second thing we said was that we are looking to you as refining managers, as regional managers, as institutional heads, to work within your budget, and on the other hand, we are asking you to be a contributor to a program that may capitalize money to you.

So, we did establish a risk reserve for our manager which solved his dilemma if he had a situation where he felt that he might have to pay a little bit more because the minority-owned firm who he had never heard of before might be late in delivery and he could then charge whatever the premium or added cost was to a corporate risk reserve, which in turn would be reviewed at the end of the year, and everyone would understand that he was really working within his budget and he was doing this in cooperation with your national program.

After that we said, "Well, how do we communicate what we are trying to do with other people?" We started inside the company, and I would recommend starting inside your institution and get your own people together. We did this by means of a small brochure which very simply stated the objectives of the program, what we were trying to do. We made this up in two forms; one for the outside world, including government, other minority vendors, other companies, and the press. The second one was made up for internal managers with one essential difference. It said to them, "Mr. Manager, this is part of your job, and in the area of minority affairs, your performance is being measured. It is not an adjunct program, it is not

something off to the side. The corporation is committed as the institution might be committed to the program, and it is just another part of your job to look, or aggressively seek, and do business by minority-owned firms."

We realize in any group such as this you can be extremely inconspicuous if there is no individual goal set and committed to, so we visited our different facilities and did not suggest goals, but asked that the head of that institution set his own goals. We really had no idea where to start. What is a reasonable goal? It is almost impossible to answer.

We did this throughout the corporation and then we finally said, "Well, let's define all the authorities and responsibilities, and in order to make this work, we probably should create a full-time office because this is another corporate program and this will be at the corporate level and it will make up our minds whether we are going to do it or not."

So, we created the office I presently enjoy, the office of Corporate Minority Purchasing Coordinator, which has some authority to pull this all together and is responsible for the performance of the program to the point where I sit and evaluate other purchasing managers in pertinent areas of minority affairs of purchasing. This nicely, courteously, and firmly puts teeth in the program. Then we are ready to go.

The first thing we did was discover we didn't know where to start. The response that we got, and I would suspect you would get, "We can't find any minority firms in our area." The second question we got was, "How much of a premium are we willing to pay to do business with a firm because it is black, or Spanish-American, or American Indian?" The third thing we came across was the additional purchasing approach, and I hope I don't offend anyone in the room. Quite often it is very simple to obtain three bids, and take the lowest. Well, this is a new ball game when you are dealing with minority-owned firms. There are certain things a minority-owned firm can become fully competitive in, but if he tries to be low bidder he will probably suffer a loss.

Then we said, "Well, we should measure what we are doing now, how many people are we doing business with now," and we realized we didn't know that either. So, this brought us up to about early 1972. At that point in time we were approached by the Small Business Corporation. Here we were with people who could help us in our program and we agreed to help each other in setting guidelines with the help of these groups — Development Council, local business development organizations — and we went through 1972 sort of putting things together as guidelines, and these are some of the experiences we had.

We found, the purchasing manager is not accustomed to getting out of the office and going into ghetto areas and talking to a black-owned firm, but this is very necessary in some cases because quite often the minority-owned firm is not accustomed to dealing with a corporation. It doesn't know where to start. So, we encourage our people to get up and look for them and rescue them.

We started looking for a way to bid competitively. The first big job we did we mishandled. It was a gentleman who wanted to bid on service station construction and he never built service stations before. Our engineering people said, "That is fine, give us a bid and we will go from there." He gave us a bid which was quite high. The second service station came up and he gave us a second bid and it wasn't as high but almost as high. At this point in time he was getting pretty close, he was only $20,000 high. He said, "You should give me that job because I am only $20,000 high, and I am black."

We said, "Well, no, we are not prepared to pay that kind of premium; however, what we will do, we will resolve this by setting aside the next service station that comes up and we will negotiate with you and we will aid in this concept by checking with Joe Conrad in terms of our engineering estimate, and we may pay a few extra dollars, because we want to help you out with the program because building service stations is very unique."

Then we ran across the non-performance of minority-owned firms. We had American Indians do two or three jobs for us in Oklahoma and saved us thousands of dollars. That is what happens when you do business with a minority-owned firm.

We said, "How many white firms do you deal with that have always given you high quality and perfect work? They had to agree there wasn't too many. The bonding question comes up and will continue to come up and this is a big hurdle for the minority-owned firm. We have in the last few years relaxed our bonding requirements. We no longer require it, in many cases, in marketing.

When we were interviewing some minority-owned firms on service station work this question came up. We said we didn't require bonding, and they replied, "My, aren't you beautiful." They said they wanted it anyway, and the reason they may want it is that it helps build a track record.

Also, the financing of minority-owned firms is recognized as a problem. We found that by lending our name on a contract, in several cases, helped to give him a shot at it and this helped him get necessary financing. Pricing is also a problem as we discovered with many firms who are just starting to do business with big institutions.

We had the case of a man providing contract services that we were paying for and we came across a minority-owned firm who give us a bid on all his product prices and the question came up about his time. He said, "I don't know, I have never done business with a big company. Would $3 an hour be all right?" We said it would be fine and it would save us a lot of money but that he would probably go bankrupt.

It is probably all right to take short-term advantage of a situation like that, but in the long run it is to no one's benefit.

Finally, we discovered that the most important thing in the program was credibility. Credibility is extremely important. We are looking for subject contractors for one of the major suppliers. We were supplied names and we went out and wrote 20 firms, most of which were black, and received few replies. We went out telling many how necessary we were and how we wanted to do business. There was no interest at that time and it surprised me. Again, these people that I was writing to had been exposed to this before. They needed substantial financing to get money for materials needed, equipment to do what was required. We have found our man and we are eminently drawing up some work for the firm. In the process I want to report what we never knew about before.

Chuck mentioned a furniture business. We have found — and we are doing business with furniture manufacturers, reupholsterers and repair furniture painters in the Philadelphia area — that prices are so competitive that some of the buyers don't believe that the furniture will hold up. Yet the furniture is just as fine as any other.

In 1971 we had done business with better than 350 minority-owned firms in the country and found many good ones. And surprisingly enough to us — and this is maybe the most important thing — we saved money.

The risk reserve concept that we had established in 1971 had been used about five times. So, at the end of 1972 we took our big manual and stripped it down

and now we have a little book that we give our purchasing manager that says, on about six pages, why we are trying to do this, and about 20 pages on who to talk to, who to call, and so forth.

In 1973 we reset our goals 50 per cent higher. Some of the marketing districts went from one per cent of their purchases to 25 per cent of their purchases. They may or may not choose these. You must recognize that the profit motive is the only basis upon which we establish the report. The minority firms don't believe in charity or welfare. We don't want it, they don't need it. In general, I feel that if you come across a situation where there is a profit to the institution, this is what it is all about. There are various ways to start. Develop your top institutional commitment or policy, communicate to the people around you in your organization on what you are trying to do and why, identify vendors, and it is very easy to identify vendors. There are 322,000 minority-owned firms in the country. Don't stand still for the person who advises I can't find any; and I offer our assistance here, and these people here have indexes of vendors. Chuck has people we have dealt with and have contracted with, and we are here to provide assistance.

But don't try to open a night school for people to get in business unless you can do that well. Provide assistance in those areas where you have the expertise, and have some way to audit your system. Try to form a little group in your own locale of users who are interested, people who have the same type program and purchase with a lot of credibility. A lot of credibility is required on both sides. I think if you would all do this you would save money. Thank you.

Mr. Clinkscales: In order to balance our program, we have heard from industry, and now it is time for Uncle Sam to have his say. So, to start off for the government, we have Joe Conrad from the Small Business Administration.

Mr. Joseph Conrad: We in the Small Business Administration were assessing some of the things we were doing, and what more we could do in the area of moving minority firms into the mainstream of our economy. One program we had was our Section 8-A Purchasing Program. This program gives S.B.A. the authority to take on direct procurement to assist agencies and negotiate with small business firms for the program We address ourselves to all economically disadvantaged firms.

We found that in contracting in excess of almost a quarter of a billion dollars that the government was making money — or saving money. That meant to us that there are good minority vendors out in the economy and all we had to do was find them and introduce them to people who are interested in purchasing from them.

Therefore, we decided that we would establish a program that would do three things. One, identify the minority vendor for those firms who are interested in purchasing from them; two, receive federal backing from the purchasing firm for the minority vendor that would help us develop, or round out, a good vendor for the majority of the community; and three, in using our program, I had the opportunity to encourage the minority business community to engage in it.

Well, the Small Business Administration has been around for quite some time and, contrary to general opinion, we have done business with minority firms for just about as long as we have been in business.

In our computers we have approximately 45,000 minority firms that have had some kind of business with S.B.A. We decided that the first thing we should do would be to use that data base as a means of bringing the majority community and the minority business community together. We wanted to make certain, however, that we would refer only those firms that were reasonably assured or in fact

operating and doing business. One of the ways we can determine that is very trite, but let's face it, if they are paying their bills to us, they are working.

So, we narrow down our 45,000 minority firms to 22,000 by saying: One, we will eliminate those activities that are not in business for business. What I mean there, is that we didn't want the Mom and Pop grocery store, the funeral parlor, the mens wear and ladies retail store, and these kinds of activities. Then we didn't want anybody that was at all in trouble. Meaning anyone that was behind in their payments to us, and we certainly didn't want anyone in liquidation.

So, we came up with approximately 22 to 23 thousand firms that we felt we could reasonably say were in a position to do business with the majority business community. We sent out a simple form to them called a "Minority Vendor's Profile Form." A form, I should add, that was developed in cooperation with the majority sector asking for the kind of information that any good purchasing man would like to know in order to determine whether or not he would contact a firm.

We sent this form out to the 22,000. I am sorry to say that for those of you who don't know about the program problem, the minority today in our country is a "show me" position. We have been placed in a position of "Don't tell me what you are going to do; don't tell me you are going to buy from me, show me." And for them this is just another silly game the federal government is playing on them.

We have got to show them, so the forms are coming back slowly. However, we are fortunate enough to have close to 2,000 of them back. They are coming back at the rate of about five to ten a day.

What we are doing is putting this information in a computer program which permits us to match up a request from any large company, the minorities in any given area, who can supply any goods or services that the company is interested in purchasing from them.

We have another form here, a small request form that we mail out to any purchasing activity that is interested in purchasing from a minority. We accept only five at a time. There is a whole lot of background behind that. You can actually have as many as five items at a time for services; identify these services by S.I.C. number standards, industrial construction number, tell us the description — that is only so we can make sure you are using the right number — and tell us what telephone area code you want the product or service delivered in. We will do a computer search and give back to you a list of the minority firms in the area that you want the product delivered who can provide that service. We will give the telephone number, the person to contact, tell you what his gross sales were last year, tell you how many people he employed in the previous 12 months, and tell you what are the four major products or services that his firm is engaged in, tell you the largest sale he has had in all his principal five S.I.C.'s, and we'll tell you where he sells.

Now, with that kind of information — and it is readily available to purchasing agencies across the United States, and if we have our way in S.B.A., in foreign countries, too — we feel that very, very few people will be able to say, as they have been saying in the past, "I can't find them."

Now, with the approximately 2,000 firms we have already — I should say this, we went to the Sun Oil Company and told them about this program and asked them to participate. To date we have had responses from 500 of them who said that they will participate in the program — right now it is approximately three to four months old, maybe five. We have received requests to match 1700 items for services. With

the few people we have in our portfolio — our data bank — we have been able to match 60 percent of those.

So, it is out there. That is our first objective, to identify for the major purchasing community — corporate community — the minority vendors in the economy who can provide them with goods and services, and we are doing that.

We have decided that we will augment the 2,000 or more we have on file with everybody we know, so that when we get a request to match we will not only give you those that I have filled out, but we will also give you a list of those we know about in your file who can provide you the goods or services.

To be frank with you, gentlemen, S.B.A. is not in the business of making life easy for the business community and this is what we are doing, helping you find the vendors. Our bag is the development of small businesses. So, in using this program, we hope that if you run across a vendor that you have taken time out to go and visit, and you find that he doesn't have the right kind of equipment to supply you, or to supply the particular market, or he is short on working capital, or he may need some management or technical training, we want you to remember that that is what we are in the business to do in a Small Business Administration.

We guarantee loans for capital — equipment, and working capital, and we provide management and technical assistance. If you will tell us what is wrong, we will put somebody on it, and hopefully, you have a vendor who is prepared to deal with you in the manner which you are used to and which you have been accustomed to.

Now, as you know, federal government is interested in moving the minority community in the mainstream. And, one way that this Administration is doing that, is encouraging the development of the minority business community. There are many minorities who are interested in going into business. Once again, that is the business of the Small Business Administration.

Moving to the third objective of our program. Every time we get a "no match" on our computers — that is, if we receive a request for glassware in New Orleans and we have received enough requests for glassware in New Orleans — we come up with a "no match." That will tell us that there is a possibility for an opportunity there in New Orleans for a minority to go into the glassware business, because we have received requests from "X" number of institutions and corporations wanting to buy glassware in New Orleans. This is the third objective of our program.

It doesn't cost you a dime to participate with us. We are providing the service to you free. We also say that we will help you develop your vendors if you give us the information as to what is wrong with the vendors, and that will give us a road map into where we might direct the minority business community to go.

That, in short, gentlemen, is our program, and I should say that it is working. Thank you.

Mr. Clinkscales: Thank you, Joe. In wrapping up the presentation, I would like to discuss with you the role of Minority Business Enterprise, the federal agency that is responsible for coordinating the Minority Business Development Program in government and in industry.

If I can summarize what the other panelists have said, a viable minority business community is perhaps more acute than market development. We feel that the market minority business enterprises, traditionally, has been protected by social and economic discrimination and, as a result, the markets of minority firms have been limited to the community in which the firms are located. We recognize it as a

severe problem and as a deterrent to the development of the viable minority business programs.

As Joe has pointed out, in 1968, we discovered Section 8-A of the Small Business Act which would provide the development with a viable tool for increasing marketing opportunities for minority firms within the federal sector. This clause in the S.B.A. Act allows the federal government to deviate from normal procurement procedures to negotiate contracts with minority firms. Let me cite some figures to you to show how this program progressed. In 1968, $9 million worth of business was done with minority firms. For the end of the current fiscal year the federal government has procured $200 million worth of business to be done with minority firms as a result of this program.

We feel that the key, or the thing that makes us most happy about the program is that during this same period of time, competitive awards — these are awards that were awarded as a result of normal government procurement procedures — we went from $13 million in 1969 to $394 million for the last fiscal year. We think that is a direct correlation between the increases in the competitive program and the 8-A program. We feel that many minority firms have utilized the 8-A program to number one, learn government procurement procedures, to effect economy in their product lines, and to develop a track record to enable them to be what we now call bona fide competitors.

The problem that we have is how do we introduce these firms that are being arbitrarily graded in the 8-A program to the corporate community. So, we have developed what we consider a sister program, a companion program to the program that Joe has just articulated.

Early in 1972 we received a program which we called the "National Minority Purchasing Program," and the primary purpose of this program was to identify and to increase marketing opportunities for minority firms in the private sector. What we are attempting to do is to get minority firms out of the government arena because we all know that those firms that hang onto the coattails of the government over an extended period of time are destined to bankruptcy because you cannot have a viable business if you depend solely on government contracts.

So, our program is to increase marketing opportunities to the private sector, and specifically of those 8-A firms who have developed the expertise, and are bona fide competitors.

In May of 1972 the Secretary of Commerce established a National Minority Purchasing Council, and this council is to plan a focal point of this National Minority Purchasing Program. The council is a blue ribbon panel of presidents or senior executive officers from major U.S. corporations. At the present time it is chaired by Bob Shire, who is the Chairman of the Board of the National Corporation. Members of the council are restricted to Chairman, President, Senior Executive Officers, of major corporations in the industry, trade associations, such as your N.A.E.B., who I might add has been petitioned to become a member of the council. We also have a National Business Development organization.

We feel, as Harry pointed out, that in order to have an effective minority purchasing program that you must have several basic ingredients that must be included in any program: Number one, the program must be blessed by the Chairman or the President of the corporation, or, in your case, your institution. I don't think we can cause anyone to move, or we can't reasonably expect any line of purchasing to move until the Chairman, or the powers, have sanctioned the program. We feel we need a strong corporate statement of policy.

In addition to this, we need a way to identify capable minority firms, and this is what the council is all about. The council provides a national forum whereby this group of individuals can get together and iron out some programs and guidelines to assist the corporate community to develop strong minority purchasing programs. They are also concerned with developing programs to identify and assist qualifiable minority firms.

Now, how is the program implemented? The program is being implemented nationally through a series of what we call a "Regional Purchase Council." These Regional Purchase Councils are mirror images of the National Council. Members of the council have senior executives from the whole corporate community who are local business development organizations and affiliates of our industry trade associations.

At the present time we have approximately 15 Regional Purchase Councils located across the country. I might add that Sun Oil of Philadelphia is chairing the activity for us in the Philadelphia area. We anticipate a network of approximately 30 Regional Purchasing Councils by the end of the current calendar year.

What do these Regional Purchasing Councils do? Basically, they get together and they try to develop a system and procedure for promoting the helping of the corporate communities to design and implement minority purchasing programs. They give some direction to your National Council because our National Council has listed what it calls a "Blueprint" for minority purchasing programs.

We feel that the key ingredient in any minority purchasing program has to be internal goals, not goals that you want to be reported to the world, but internal goals that can be used as management tools to determine the progress and the success of the program.

Another major objective of the Regional Purchasing Council is to work on the S.B.A., and to work with our network of business development organization construction assistance centers and business resource centers in identifying qualified and qualifiable minority firms.

Another major objective to assist minority firms qualify as corporate sources of supply, and then, lastly to identify procurement opportunities within the local geographic area where the Regional Council is located.

So we are saying, basically, that our Regional Purchasing Council is a warehouse of procurement opportunities in the cities where the Regional Councils are located.

Last year four of our Regional Purchase Councils reported that their member companies did $86 million worth of business with minority firms. You must realize that we are only talking about operating since last May.

Our Regional Council in Chicago reported that the companies affiliated with that council in Chicago did about $38 million worth of business with minority firms. In New York our Regional Council reported that 16 of the companies that they have been working with did $8 million worth of business with minority firms in New York. In Detroit 22 firms did $30 million worth of business with minority firms. In Cleveland, Ohio, $9.2 million worth of business was done by the companies affiliated with the program there.

We feel that we have a viable program. We feel that at the present time what we must do to promote the program throughout the corporate community is to make members within the corporate community aware of the kind of assistance that is available through our network of resource centers and other assistance programs that we have throughout the country.

At the present time the office of Minority Enterprise has established a field network of resources that is designed to assist minority firms on contracts that are awarded by the corporate community. We have several organizations, and many of you may have heard of D.B.D.O. This is a local business development organization. This is an organization that is funded by the Department of Commerce to put together loan packages to assist minority firms in financing. We also have a network of what we call "Business Centers." They have been put together by the corporate community, and they provide primarily management and technical assistance, and more specifically, marketing assistance. We also have Construction Assistance Centers, and these are organizations that are funded by our office to assist minority contractors in bidding on jobs and obtaining bonding and financing resources. We have our Regional Purchasing Councils who are primarily out in the field to identify minority suppliers capable of fulfilling purchasing requirements and helping them design, refine and implement their minority purchasing program.

If all of this doesn't work, we will call contractors — we have representatives throughout the country whom we can call in — to provide specific kinds of management and technical assistance that minority firms may need.

All we are saying is that we don't want the minority corporate community to feel that they are out on the limb by themselves with no support. The support is there and we only ask that you enlist the support you need and when you need it.

We have a list of all our funded organizations, a key person to contact, a telephone number, and an address, and we also indicate the kind of services that these organizations provide. We urge you to utilize these resources that we have established in the field because they have been put out there principally to assist the minority and also to assist you to do business with them.

With this, we would like to open the workshop to any questions.

Mr. Lopez: Gentlemen, thank you very much. I would like to ask the first question. Who is designated as a minority business? Does it vary from different areas?

Mr. Clinkscales: A minority business is a company. It was a corporation with 51 per cent of the stock owned and controlled by minorities. Minorities is that classified as blacks, browns, reds, Vietnam veterans, returning prisoners of War, and socially and economically disadvantaged people living in the Appalachian areas of the country.

Mr. Lopez: I think this has been a misconception pertaining to minorities, particularly in the area of race. There are many minorities and, this is the idea, there are many people who are minority in many areas.

Mr. Conrad: Let's not delude ourselves. When we say minority, although socially or economically disadvantaged, we are really talking in terms of minorities who are minorities by race because these constitute somewhere in the neighborhood of about 20 per cent of those people.

Mr. Don Harmer: University of California. In a meeting such as this, large corporations may commit themselves to some degree to the program of minority development, but those of us who represent a tax-supported institution, it is kind of a special set of rules.

We have all kinds of policies and procedures, and because of the nature of our function, it is hard to deviate from this. I think that we should have a direction from people such as you that are sitting on the panel that we can come to. It is rather hard for us, speaking for myself, specifically, to listen to corporations who can commit great amounts of money, and those of us who are trying to have some rewarding direction be stopped by so many policies.

You can say, "Well, change policy," but it isn't quite that simple. Maybe you could, in the future, direct yourself to the specific problems that we face in meetings such as this, as educational institutions.

Mr. Clinkscales: One of the things that I hope was brought out in this workshop, I think there is a myth in the minds of many, that it costs money to do business with minority firms.

In other words, you are going to have to pay if you adopt a minority purchasing program, but all the companies that I have talked with across the country say that it doesn't cost any more to do business with minority firms. We recognize in government that one of the impediments to implementing a program was that many firms did not know how to identify minority firms. I think the kind of program that Mr. Conrad talked about, and the program that I have talked about, has been put into place to assist the corporate community in identifying minority firms, but we certainly are not suggesting that the corporate community adopt a program that is going to affect the main line because our program is a business program. It is not a welfare program, it is not a civil rights program, it is a business program. If the companies that have adopted minority purchasing programs to date have found by doing this they have not solved it, and adversely affected it, I don't think many of these companies would continue to be involved. So, I don't think that it would cost you more money to do business with minority firms.

Mr. Melton: I don't think that is it at all. The corporations, by and large, have a responsibility to stockholders. As you pointed out, you have a responsibility to taxpayers. A year ago I wouldn't have been nearly as confident, now I think that I can say that I recognize an immediate savings in some situations — you are going to have some bad purchases, no question about that. In the long run, you are benefiting people who are paying the taxes, and supporting your institutions and the whole country, by providing an opportunity for more people to contribute to the tax basis.

Mr. Conrad: We are encouraging you to go back to your institutions and see what you can do about effecting a minority purchasing program. That is, of course, our main goal of being here. But then there is the other. We want you, as purchasing agents, to broaden your horizons as to where you go to find vendors. You don't need a program to find a minority vendor.

I think it is interesting that Mr. Whiteman, an associate, was found by all of these predominantly black universities, and they don't have a program. It would have been just as easy for you purchasing guys to find a minority you can buy from without, in some cases, being hampered by a program.

In terms of establishing goals in your program, well, that is up to you. That is a measuring device for you, that is giving your management team something to evaluate your progress by.

Mr. Sterling: May I go back just to specific examples that I stated before and maybe give a little more insight. This major institution did not have a program, all they had was an affirmative action program. But they decided to make it happen. As we suggested to them, they perhaps could carve out of their fuel oil business the faculty homes. This is a very distasteful kind of job because the trucks have to go up very narrow streets and pipe into the homes. They have to run all kinds of charts and tables so that they have a helpful kind of situation with the homes. This major institution told me they were going to do it and they spent about a quarter of a cent more per gallon in order to do business with these two black companies.

The important thing about this is: One, I talked with O.M.B.E. and they sug-

gested to me there was a very fine B.D.O. (Business Development Organization) in that area. I was quite concerned with this because this institution has certainly commanded a great deal of leadership in that community, and I was concerned about the program being successful. B.D.O. was very excited about this venture. They contacted the two oil companies and said, "Look, together, why don't we buy a barge of oil." They bought a barge of oil, and, let me tell you, that barge of oil represented a savings to the other educational institutions in that community because they told the other schools what they were doing. It not only represented a savings to the other educational institutions, but the people that lived in that area — I am talking about the community itself, was able to now buy from these two or three minority fuel oil companies fuel at competitive prices.

Now, according to where you come into this big cycle, it would indicate your profitability in this picture. If you were the second or third guy you wouldn't have to pay that quarter of a cent; if you might come in the other way, you might be the one that would be getting the profit.

I think the first thing you should do is go back to your school and look in areas where you can purchase without any problem. One thing I can think of is writing instruments. I can talk about two companies, one in Indiana called "Great Western" which, by the way, Sun Oil is doing business with, which I assure you will save you money; and another company is a black outfit out of Cleveland called, "All Black Pen Company." Here is a very accessible area that could immediately show you that you could save money in terms of doing business with some minority companies.

If all of you would go back and just inventory your needs, and come up with five items, I am certainly sure that Joe Conrad, and S.B.A., will give you a match.

You really don't need a program. Your program, by the way, is certainly going to exceed your policy, but tomorrow, or today, when you leave this meeting, you can work on five items and you can certainly get your program moving.

Mr. Pleau: University of California at Davis. We have, at the University of California at Davis, a minority program where we have done most of the things that you people talked about. I am not sure that it is as viable as we would like it, and we are faced with the same problems that I have heard today.

In some of our meetings and our group discussions, the minority problems we come across in finding vendors — and particularly in the San Francisco Bay area because that is the area that I happen to be associated with — vendors have been classified, or classify themselves, within this group as minority vendor supervisors; therefore, I think I should address my comments to Mr. Conrad and let him speak on this. We have a difficult time sorting these people out because we are trying to do business with all of them and find that the minorities they list are the majority owners of business and are not classified as minority.

He lives and operates within, as you call it, the ghetto area, in the area that is predominantly minority — all the way through his company, his employees, his management, and his workers. He hasn't limited his work. He is the profile within his company equally sharing management with the minority vendors and is a profile of the community that he lives in in that his workers represent across the board the people that live within that community and may exceed throughout the whole company minority over non-minority. He is also a small business, and this man is doing business in these areas and is classified within the Bay area group as "Minority Small Business Enterprises."

The University of California's policy on minority, as we understand it today, would probably eliminate this from being considered a minority enterprise because

it is not 51 per cent owned by a minority, and I would like to have someone speak on that.

Mr. Conrad: Thank you, that is a goodie. The Small Business Administration was illegal back in 1955. We were illegal in that, if you recall, every agency was to drop any designation as to who received service. We didn't do that. So, that meant that we knew who we were giving our monies to and who we were giving our management assistance to and who we were giving our contracts to.

Then we decided that we would do it with the 8-A program, and this was to set some guidelines to assist minorities. We knew that using government purchasing was a way for technological and management transfer, so we didn't want to discourage the majority — minority firm that comes together to do work with us; however, we said that in order to be a minority firm, or so classified, you must have 51 per cent ownership — the minority must have 51 per cent ownership, or in a case where the majority owned more than that 49 per cent, it must have been a bona fide venture agreement approved by our office and, normally, this is for a three-year period.

After three years the control of that entity ownership rests with the minority. In the particular case that you are talking about, where we have an indication of majority ownership as a firm in a ghetto area, this means absolutely nothing to S.B.A. that employs the majority of — notice how these terms get confused, follow me closely — his employment or minorities, that means absolutely nothing to S.B.A. if he classifies himself as a minority, we would exclude him from our program. If he is classified by anyone in our office as a minority, someone slipped up.

I want you to be aware of certain distinctions. S.B.A. is the same as O.M.B.E. as it is interested in a business development program. We are not concerned directly with employment. We have a Department of Labor that is approximately 10 or 12 times larger than S.B.A. that spends day after day worrying about that problem. We are not concerned about ghetto areas. We have a Department of Housing and Urban Development that spends 20 per cent of its time worrying about that.

We are concerned about developing viable minority businesses, and we want to put them where they can have the best chance of being successful. We don't care who he employs as long as his work is operating at a level of efficiency that is going to reflect in his profit picture.

I have one more comment. Unfortunately, as Don Harmer talked about, in our tax-supported institution we receive pressure, or input, to these people to the same degree that we receive input from this group here.

These people that I am talking about have banded together as a wholely regional group in that area and they come forward on the panel.

Mr. Conrad: You are going to receive pressures from everywhere because universities are supposed to be a community kind of deal. All we are trying to do is tell you to give business to minorities, and we want you to open your eyes to that.

Unidentified: How can I, in public, alleviate those restrictions which are imposed upon me which, all things being equal — to get around this type of thing that we cannot give you an advantage. I am walking the streets and I am knocking on doors and I am getting to people, but there must be some other way that I can practice.

Mr. Conrad: Before I answer that question let me introduce those special answers to the assistant of S.B.A., Robert O'Malley.

Mr. O'Malley: There may be some foundation or funds available at your own university. It has been pointed out by Mr. Melton, of Sun Oil Company, they obvi-

ously knew that they would probably have higher costs with the minority business, and he got them together, and stated that they would probably have new costs or higher costs. They suggested that if the man bidding was a low bidder he obviously was not going to be particularly dependable because he didn't have the resources that an established business had, and in the slush fund area you may find that in your university you may take up that slack; other than that, I am sure you will probably have to pay a toll for some legislative changes or administrative understanding. That is all I can say.

Mr. Conrad: May I add to that.

If you are unable to lobby for changes by state law or regulations, I would, of course, agree with Bob on that. If you are really sincere about doing this, you could lobby in your legislature to change them.

You must remember that there are agencies and other private entities who are continually, with the help of O.M.B.E. funds and S.B.A., trying to qualify minority vendors to the point that they can participate in your system the way it is. For example, let's take the construction activity. I am sure that your state passed on to you the same requirement at the time federal government passed on to its agencies concerning surety bonds.

One of the things that you can do is to make certain that your minority contractor who you want to bid on this project is aware of the surety bond guarantee program in S.B.A., and also aware of the resolving line of the credi guarantee program in S.B.A., whereby we provide him with the working capital needed to do a job, and turn around and guarantee the bond that your legislature requires you to get on that job.

You have a very significant entity in your own institution — your master of business program. You can use your school as a means of reaching out to find the minority vendors and to assist them in the know-how that exists in your college so that they are better able to bid or give you quotes on whatever it is you are going to buy; better able to identify the problems that minority vendors are having, and to direct the minority vendor to either S.B.A. or many of the fine organizations that are currently under contract to O.M.B.E.

This gives you a very significant advantages over the corporate community in that you have your own development operation that is mutually beneficial, and, in turn, prepare the potential vendor, or the qualifiable vendor, to participate under stringent requirements that are placed upon you by your state legislature.

Mr. Clinkscales: What we are saying is that if you are located in a system whereby you can't deviate from standardized procurement procedures, then, certainly, we don't want to suggest that you go out and try to locate those qualifiable minority firms.

Mr. Gibson: University of Boston. For three years I have been trying to locate a minority vendor that sells biological chemicals and radioactive chemicals.

Mr. Conrad: I can give you the form to fill out and get the name to you in five to ten days.

Mr. Newland: Baylor University in Waco, Texas. In my operation — we are not tax supported — it is very difficult with a small purchasing department for me to take the time to go out and affirmatively seek vendors, and, I think the social structure has changed to such an extent now that more aggressiveness on the part of the minority vendor is in order. A minority vendor would be more than welcome in my office. Once upon a time, 20 years ago, this was not the case, but I don't believe you ought to pass up a push in this direction. This is quite a struggle for pri-

vate schools; as you know, many of them are in the red and going redder. We are not red, but it is just almost physically impossible for me to find the time with a small staff to apply this.

Mr. Clinkscales: Our program is assisting the problem by working with the National Association of Purchasing Management and other national trade organizations. We are in the process now of conducting workshops and training programs across the country to encourage minority firms and to show them how to go about the business of making sales calls and this type of thing.

Mr. Melton: If you just let some of the people know of your interest — the vendors, the Department of Commerce, they will exert an awful lot of leverage, as well as a data bank, if you can't possibly take the time yourself. There are a lot of them that can help.

Mr. Conrad: We have a representative in Washington that is responsible for managing this program of minority vendors for us. If you can't find a match in your computer, we immediately send it out to the minority enterprise representative in that area and find the guy so he can get him in our computer so we can refer him to you.

I would suggest you contact your local S.B.A. office. I guarantee that they will help you find the guy and they will help that guy prepare himself so he can deal with you.

Mr. Clinkscales: There has been a change in the Federal Procurement Regulation in the armed services that now require all prime federal contractors with contracts in excess of half a million dollars to set up an affirmative minority purchasing program. We don't think that we really need legislation because we feel that the corporate community is really anxious to help but they just don't know where to find firms. Once we help them find the firms, and then we find it doesn't work, I don't know what the posture of the government would be.

Mr. Conrad: We are, of course, responding to pressure. All minority business development programs, as a result of pressure, hit its peak back in 1965 when Paris was burning; but, I don't believe, at least I don't think, that universities who are supposed to be the bulwark can expect to be relieved of any pressure of this type. They respond to basic and other kinds of noble ideas, and, if they are going to teach people to go out and be purchasers and to treat everybody right, they certainly have to demonstrate that themselves to the extent that they are not going to be pressured. The only way that the corporations and other institutions are going to relieve that pressure — including the federal government — is where we look out and say, "Yes, we are doing it right."

Mr. Lopez: Thank you very much. There are companies out there, there are people out in the community that can help you in purchasing. Try them.

WORKSHOP F

OSHA NOW

WEDNESDAY MORNING, MAY 9, 1973

Mr. Dennis Chappell, Purchasing Agent, University of Arkansas, moderating.

Moderator Chappell: Good morning, ladies and gentlemen. Mr. Bill Stock is the Acting Assistant Regional Administrator for OSHA in the San Francisco Regional Office. Mr. Larry Blake is Safety Coordinator for Duke University.

Mr. W. L. Blake: We hear people constantly in our business daily who say, "Oh, they won't come to see us. We'll wait till they get here. We don't feel that they really mean business." I can assure you they do mean business. We have felt at Duke University that we needed to do a lot of things legally now that we have been not doing morally for many, many years. How is this going to affect you as people trying to administer a program at your university or college that I know many of you are operating on budgets that are very, very low, and manpower shortages? Will this new law affect you as individuals?

I'm afraid so. It is going to inflict many, many demands on you. In a recent survey by the National Association of Manufacturers it reveals that estimates of $33,000 per individual membership would be required in meeting the Occupational Safety & Health Act. This is extremely low, we feel. At Duke University we spend almost that much in one building. What should some of your objectives be in meeting the OSHA?

Our objectives are to thoroughly analyze all situations, anticipate all problems prior to their occurrence, have answers for these problems, and move swiftly to solve these problems when they do occur.

In my opinion there are two basic objectives, identification and correction. First let's discuss briefly exactly who the Act covers regarding colleges and universities. All private and/or non-state supported institutions are presently covered and are subjected to all the provisions of the Act right now. Until state OSHA plans are submitted and accepted by the government which must meet or surpass existing federal standards, state supported colleges and universities are not affected. This does not imply that they are not expected to meet state labor laws, and so forth, which do exist in most states; but let me assure you it's coming. So if you fall into this category, you should not wait until your school is legally affected to get your house in order, if needed.

Mr. Jerry Dempsey, Chief Compliance Officer for the State of Kentucky, in a speech last June at the campus Safety Association Conference at Brown University stated, and I quote, "What gets us to a work place in the first place? We have priorities and I shouldn't say this, but a college campus is very low in priority. I can assure you we have not inspected a single one."

Well, this should make us all feel good, thinking that it will probably be the year 2000 before these people get around to us and this is probably the amount of time some of us will need to get our house in order. Not a single one yet, this is no longer true.

I've told my people at the Duke University that if they ever showed up, there might be a possibility that they would be there three, four, five, six weeks. I'm sure your situation is probably similar to ours. We have approximately a hundred buildings, and I'm sure that they would want to see just about every facility we had.

They spent three weeks at a west coast university, and came out with 400 citations. The finances are not actually known at this point, but we've been told that they will total approximately a thousand dollars. I can assure you if you're not that familiar with it, they have a yardstick that they can use, zero to a thousand dollars per violation, and we feel that the good faith by the university will in fact determine what the finances will be. It could be $6. And there have been fines levied for $6. I think the smallest one I heard of was a dollar and eighty cents, and I still haven't quite figured that out yet.

If next week one of our employees is killed; you have an employee who feels that he is working in a hazardous situation, he writes a letter to the Occupational

Safety & Health Administration in whatever region he is; they feel that he has a valid complaint. One day the man shows up and knocks on your door, here he is.

This could happen very easily. When he gets there, he'll want to know some things about your operation, and one of the things he might want to ask is does your materials handling equipment have overhead protection? All such equipment manufactured after 1971 does require these type guards The ones manufactured before that date have to be in compliance by the year 1974.

Are you purchasing certain flammable materials in approved safety cans? Are they segregated from the remaining stock? Do you have devices which prevent the tipping over of your compressed gas cylinders in storage or use? Are they segregated?

We found one thing at Duke University, we were trying to seek all the help we could get, we were new at the business, and we found that our vendor who was providing most of our gas was very helpful in that they had laboratory manuals and a poster that shows exactly what you have to look for in using gas and so forth, and they were very helpful and gave us all of these we wanted, so you might seek out the person that you are buying your gas from.

Do your ladders have safety feet? Do you provide and require the wearing of personal protective equipment such as hard hats and safety shoes? The hard hats and the safety shoes have been one of our things at Duke University that have brought on many, many sleepless nights. We've had many people say to us that we don't require it, we don't have to provide safety shoes.

In sample cases taken from the OSHA report of the BNA publication, an employer violated 1910.132(a) by permitting employees to work without foot protection in loading and unloading docks because a reasonable person of ordinary prudence should have concluded that the standard was applicable to dock workers. This was the ruling of the Occupational Safety & Health Review Commission's Judge James D. Barrows in a decision reviewing Ryder Truck Lines.

Now, the next question is who pays for them. The standard says you will provide certain personal protective equipment.

A decision by Judge David H. Harris of the Occupational Safety & Health Review Commission, affirming the allegation that an employer failed to provide proper personal protective equipment has been ordered reviewed by Commissioner James F. VanMaining. The decision involved the Bud Company, and the issue involved the obligation of the employer to purchase safety shoes.

The employer is in fact responsible for providing the safety shoes, and according to his interpretation of the 1910.132 it is the employer's responsibility to pay for such equipment. The company conceded that the issue was not proper for determination under the Act. The Labor Department supported the company in its position that foot protection was a labor-management matter and locals of the United Auto Workers took the same position as the Judge that provided they be paid for.

So we at Duke University have long felt that the word "provide" means paid. We have in fact entered into a safety shoe program where we provide the safety shoes, an initial pair of safety shoes. Until this final ruling comes forth, and I feel very strongly that it will, that will identify certain areas that foot protection will be required, our position is that we are only paying for the initial pair. I feel this will change in a short time. We are providing hats, of course; for protection in certain areas we are providing goggles, prescription glasses at this point are being paid for by the individual. Assuming that a man had a pair of glasses, we provide him the

goggles to go over the glass. We don't feel this is the best method at this point, but that's what we're doing.

One other thing, the new law about the shatter-proof glass is not what OSHA considers a pair of safety glasses. There are many other things other than just the lens itself that do constitute a pair of safety glasses.

Are your warehouse areas sprinkled when required? Do you have adequate fire extinguishers and are they mounted properly? One of the citations that notoriously is always there when they go to a place is fire extinguishers. Most of you probably already have fire extinguishers and it's just a matter of rearranging what you have to be within compliance of the law.

We found that in our student housing we never could keep fire extinguishers. They stole them or whatever. We found a vendor and suggested to him that we might think about rentals. We worked out a plan where we provided approximately 300 fire extinguishers in dorm areas that hadn't had a fire extinguisher in probably 10 or 15 years. We followed this up with a real strong promotional feature. We had the student newspaper run several articles; we got the radio station to help us; and we feel that this program has been a complete success. He provides the fire extinguishers, installs them in the dorm areas. When one is stolen he replaces it at no cost to us. When one is in fact tampered with or expended, he replaces that also at no cost to us. And we do feel it's a success, simply because we've only had approximately 13-14 stolen in the last seven or eight months.

Another thing that we were always confronted with was the administration's position on how you handle these situations when you find a student playing around.

Their position in the past had been, don't do that anymore. This vendor that the extinguishers do belong to, we provide him a name and he takes legal action against the individual. The university is completely out of it.

To go on further, are permanent aisles and passageways in your warehouse appropriately marked and identified? This is one of the things you'll have to look at when you get back. When I used to make visits to our warehouse, everything seemed to be a staging area.

Do you have published safety work rules? Are written departmental procedures available to all employees? We took ten basic general safety rules, put them on a little card, one through ten; the bottom portion was perforated and we have the person read them, make sure he completely understands them, he signs the bottom portion of the card and we retain this in his personnel file.

Do you have a safety committee? Is it active? Does it conduct frecuent inspections of your area? Do you as administrators act on their findings?

Finally, have you taken steps to assure that goods and services being purchased for your university are meeting federal standards? There are numerous methods of assuring this, but I think the best statements we have seen appeared in "Purchasing," in the February issue.

Of course, I'm sure you've run into this before. Your people have ordered some goods, and the vendor has said, "Well, the delay in meeting your request is simply due to our meeting occupational safety and health standards."

To get around this, of course, you simply put the statement appearing at the top which says, "Supplier agrees that any delay in delivery or other failure to perform resulting from supplier's failure to comply with the provisions of the Occupational Safety & Health Act of 1970 and the standards and regulations issued thereunder shall not be deemed excusable delay or otherwise excuse supplier from performance as required."

You might not have run into this. We have at Duke found this to be the case. Supplier agrees to comply with the provisions of the Occupational Safety & Health Act of 1970 and the standards and regulations issued thereunder, and certifies that all items furnished under this order will conform to and comply with said standards and regulations.

Supplier further agrees to indemnify and hold harmless buyer for all damages assessed against buyer as a result of supplier's failure to comply with the Act, and the standards issued thereunder, and for the failure of the items furnished under this order to so comply.

These are but a few of the numerous standards that could affect your college or university. There are approximately 1,700 standards now, and I've only attempted to alert you to some of the ones which most affect your operation. If your situation is similar to ours at Duke, the added cost in meeting OSHA will be very high.

You and your staff will be most responsible for not only purchasing at the right price, but assuring management that compliance with the law is also being met. This will not be an easy task, and some will say they shouldn't be asked to do this. It will take the coordinated efforts of your safety people, and I want to suggest to you that if you don't have a safety man that you at least appoint someone in your area to familiarize themselves with the standards that are applicable to your operation.

It will take the coordinated effort of safety people, maintenance, and your employees and management and purchasing in reaching safety goals. Not one of these above-mentioned can do it alone. We feel very fortunate at Duke University to have the total commitment of our entire community; and without it my job would be difficult, I'm sure as most of yours is now.

I would strongly recommend that when you return home you familiarize yourselves with the law. Then identify your problems, seek solutions and correct these situations before it's too late. Thank you for this opportunity to share these thoughts with you.

Mr. W. E. Stock: Well, as is pointed out in some of the thoughts that Larry had, and in the NACUBO report, state and local agencies, those agencies that are government operated, owned, come under the intent of the Act, but not under the OSHA enforcement portion of the Act. In other words, the private sector can really expect OSHA and very immediate responsibilities with penalty problems following if you don't understand the problem.

The government-operated schools, state, city, federal, county, whatever, come under the implications of the Act. The Act says that the intent is to cover all employers and employees. It then states that OSHA, in terms of Occupational Safety and Health Administration, would not enforce the OSHA regulations, at this time, on governmental agencies.

But then it did say a little farther in the Act that as state plans took over, the OSHA enforcement procedures, they were required to enforce these regulations on the political entities — not including Uncle Sam. We have a different way to get to these people.

So just to make the record really clear, the intent of the Act is to cover every employee and every employer in our country, but those who are public-owned agencies don't expect to find an OSHA compliance officer banging on your door. Not that he can't; under certain conditions we can do that. But we haven't got time and we have too much to do in the area where we have a lot of responsibility and

where the high impact loss is, the high rates of injury and incidents come from.

The general accounting office of the federal government is the watchdog of federal agencies. And the report from that agency for last year and the previous half year of OSHA's existence, said that the agencies of the federal government have fallen behind where they ought to be in terms of voluntary OSHA compliance. So we now have a federal officer in every region who is responsible to work with federal agencies.

Probably it's self-evident why OSHA exists, but just in case anybody has a doubt let me just say this to you: I have been an employer for a lot of years in the construction industry, also in the retail business, I've worked for the State of California for several years in terms of safety and I know the picture from the local enforcement aspects, and now I've been with OSHA for almost the length of OSHA's existence, about two years, and I've watched OSHA develop from nothing in terms of philosophy or people to an organization that is operating in a rational, effective way.

The only real difference between the OSHA enforcement, the OSHA plan of enforcement as contrasted with the state safety plans in the past is that this program has some teeth in it. Probably two years ago if this were announced as a safety meeting we'd have five people here if we were lucky.

People are happy to talk about safety but try to pin them down! It's like a religion — we don't get much out until we put ourselves in. So the religion of safety now is being sought after and questions are being asked, and this dialogue is helping us all to get something done about accident prevention, which is what the whole thing's about.

Congress and the President when he signed this bill in 1970, the agency itself, we all understand one thing, we don't make the changes that solve the problems of people and the accidents. It's the people that control the people that control the problems of environment, they solve the problems. No hierarchy of safety people can stop accidents and problems of safety.

They don't solve them, they can look for solutions, help you to find answers and point out perhaps the problem areas, but we don't solve the problems; you solve them.

Voluntary compliance. Voluntarily seeking out the problem and finding the solutions. People have complained about the fact that OSHA can propose first-time penalties. That is the most beautiful part of this whole program! If it wasn't for the fact that we can do this, that we have the ability and the mechanics to do this, we wouldn't have your attention. It's that little gimmick, the chance to put our hand in your pocket maybe a little bit deeper than you like is what really gets the attention. That's the real difference!

The regulations themselves in some cases are poorer than the states; in some cases they're better than the states. Regulations aren't really significant, because frankly these are minimum regulations. These regulations won't solve all of your problems. First of all, it won't solve the physical problems because we don't recognize all of them. You can't do it from a book of standards. And the second thing is the book of standards doesn't say very much about the people practices and the people problems. There's where the real problem of accident prevention really is to be found.

OSHA established a system of priorities. Our first priority is the investigation of a fatality or multi-injury accident. If a firm has such an unfortunate occurrrence — they will no doubt be visited by OSHA.

In the next six months from May 1st to October 31st we're having a special emphasis program I'll speak of a little bit later. But if you have a problem of underground working, digging trenches, excavation, shoring, these kinds of things, you very well may see us. Because we have a special program going in that area right now.

The second priority is where we have a valid employee complaint. That means one that identifies a problem, the employer very clearly, and identifies himself; although he may check a square that says don't reveal my name to my employer.

The third one is the target industry area or special emphasis area.

The fourth priority would be a random casual inspection based on a cross section of business in a geographical area. We'll get an employer one time in wood products, a manufacturing plant the next time. We try to make this broad enough in a given area that everybody gets the word we exist. So that's our priority system.

I have mentioned that the penalty system is the attention getter. For instance, there's a $50 penalty, no credits possible, if the OSHA poster is not available in a location in the establishment where workers can see and read it. And we're all employees. Place the poster conspicuously in every establishment. It delineates the Act, what it is, and the fact that employees and employers must comply, and gives employee rights and so forth. It's a good idea to about every six months read to your people or tell them to read it.

When we come into a place to make an inspection the very first thing we'll ask for is the boss; we'll have an opening conference; and the next thing we'll say is let's see your records. There's a log for occupational injuries, a summary sheet, a form like your compensation insurance forms if you have them in your states; and if you don't, then this form has to be used. It gives all the details of the particular incident that causes the injury.

There are basically two kinds of safety and health violations that we all should recognize. A serious violation is one that could probably result in serious bodily harm or a fatality to an employee. If a serious violation of a standard is in evidence, a penalty starts at $1,000 for each violation.

Most violations that you would have in your operation, would be **"other than serious."** This is where we have some prerogatives in terms of possible penalties. If it's a minor violation of a standard, as a bunch of power cords around and we found one with a cut off U-ground, we would probably say non-serious, or "other than" serious. We write one citation for serious, if we have serious; another citation for other than serious. And we list everything on the citation. There could have been 400 things wrong, not 400 citations.

To work out the penalty program under the voluntary compliance concept, we give a firm credit for effort — even if they miss something. So to make them want to do this we'll give them credits against penalties for several factors. And here are the factors:

One is good faith. If it's evident to the compliance officer making the inspection, that the firm has a safety and health program.

Number two, if the workers are aware of the program.

So we analyze the effectiveness of what you're trying to do based on what we see. We also look for the kind of a program you have. Hopefully it's in writing and you can identify it. Good faith then, that's what we're looking for.

The second factor that involves credits against penalties is the size of firm. If your number of employees are under 20, one to 19, then you get ten per cent credit for size. If you're between 20 and 99 you get five per cent credit for size, and

if you're over a hundred you don't get any credit at all. We won't separate the fact that you have five different kinds of things going on at a big college campus, 2,000 employees, and a shop here and a shop there. You won't get the small firm credit.

The other factor that is really important is your history with OSHA. If your history is good, we'll give you 20 per cent more as a credit. Every first inspection gets 20 per cent. Every third and fourth inspection gets 20 per cent if you're trying. If we don't find the same violation over and over again, the 20 per cent is possible. Besides that fact, for serious and willfull noncompliance, repeat violations even though you fixed it the day we were there and the next month we come back and it's there again, you not only lose the good faith part but you get the repeat violation part which is expensive.

So, a small firm earns 20 per cent for good faith, 10 per cent for having under 20 employees, and 20 per cent for its history, that's 50 per cent.

We have a hundred-dollar minimum base penalty. If it's a minor thing, we won't put a penalty on it, just write the violation and put on the citation, zero penalty. If it wasn't abated by the proper time, it would go back to a hundred-dollar minimum. If you abate within the time established at the original inspection, you get an additional 50 per cent discount.

For serious violations, you can get the fifty per cent credit but nothing for abatement, because serious has to be done **now**, no more work there until it's done. So serious violations can go to a minimum of $500, "other than" serious go to $25.

The states have to get the penalty features in their plan and that takes acts of legislatures. As soon as that is done and the standards are equivalent with ours, then they can go on a development plan for three years, which means for three years they can bring suggestions to us for changing the plans that they have. We can make suggestions that they ought to change it some other way. During that three-year period it's a state of minor flux, not big changes we hope but at least making the thing practical for the people in the state it's governing.

We understand that Congress is considering an amendment to the Act that will let us have consultants. That means we'll hire people to be consultants, they won't be enforcement safety personnel. They'll talk to you about problems that you have. The states, most of them, have that in their plan, so that means you'll get help along the way with your problems in terms of solving them, possible solutions.

One of the things we're doing immediately and I mentioned this trenching and excavation special emphasis program. We're having a number of meetings throughout all the regions of the country. They will be to get to the contractor and the people that work in those trenches and talk about their problems; giving them material to help them, help them understand how it should be done, what to use for shoring, how to shore, etc.

If you really want a valid inspection, call us and tell us to come out and make an OSHA inspection. If it costs you a thousand dollars, you never get a consultant that cheap. The one that you mentioned here, the possibility of a thousand-dollar penalty if they got a three-week inspection by an OSHA person for a thousand dollars, you got cheap consultant service.

We don't approve products, and neither does FM or UL approve anything. They list them for certain uses but they don't approve them. I'm just telling you to watch what you're buying. Buy to meet your need, not because some one says you need something. If a large capital expenditure is involved, check with the nearest OSHA office. We'll welcome any questions.

Mr. Charles E. Davis: Walla Walla College. The opening remarks by the man

from Duke seemed to emphasize the requirement for safety shoes. I don't have the Act in front of me, but I read it several times and I note it said something to the effect the idea was that the employer shall make these available by negotiating with suppliers to carry these shoes and make them available to the employee, and shall encourage their use. I think that's direct quote, encourage their use.

Mr. Stock: The Review Commission – they don't work for us – make their own decision on what must be provided, you have to listen to what they say in interpreting the standards.

Mr. Davis: Have they published this new requirement? We subscribe to BNA and get Weekly Changes, and I haven't read that change yet.

Mr. Blake: It was in there. The first one that I talked about in terms of the Ryder Truck Lines appeared in the November 23rd, 1972. And the other one that dealt with what the word "provide" means was December 28th, '72.

Mr. Davis: Now, the second question had to do with posting the poster. But you take a college situation, we've got maintenance departments and so forth, and time clock punchers, this is real easy. You can post it right near the time clock or your employee bulletin board. Teachers come to their office and to the classroom and back home again or to the laboratory. Are you going to require that this be posted, say, the library, the food service, the faculty club, and on, and on?

Mr. Stock: Right! Because in those places you mentioned other people work, too. Every place where people work, and you can tell teachers it's for them, they'd better read it.

Mr. Davis: Is there any law against reducing the size of it? That takes up quite a bit of room.

Mr. Stock: Yes, sir, there is a law. It's okay to use it small, but not to satisfy the requirement of the Act, for the posting, it has to be full size. We'll give you all the copies free, you don't have to reproduce it.

Mr. Joseph Griffin: University of Rochester. I'd like to know who receives all the OSHA bulletins and requirements for an institution at an institution?

Mr. Blake: Well, the first thing we found out at Duke University that most of this information was coming to our business manager initially. We know of other institutions that it normally comes to the personnel director. There are many people that receive this. If you don't have a safety man, I would suggest you get in touch with the Regional OSHA Office in your area and they'll be glad to provide you all the information that would be required.

Mr. Griffin: Another question I'd like to ask is in regard to handout number three, the goods: "Supplier agrees to comply with the provisions of the Occupational Safety & Health Act of 1970 and the standards and regulations issued thereunder and certifies that all items furnished under this order will conform to and comply with said standards and regulations."

For instance, in putting this on all purchase orders, of course, I would imagine that all manufacturers are involved in this. For instance, in the purchase of IBM typewriters they have to meet certain specifications in regard to installation and what have you; am I correct in this?

Mr. Stock: Well, probably an IBM typewriter only would need one thing. It probably would have to have a grounded outlet, because the noise of that wouldn't be significantly high, or I can't think of anything else it would need. But if it would need a certain health factor protection they should know.

In this purchasing order you ought to say, also, "you're not going to sell me more than I need in terms of safety." I'm kidding. But protect yourself.

Mr. Griffin: Particularly in the case where that institution bought a $4,000 piece of equipment and when they finally received it they found out it didn't meet the OSHA requirements for sound and they had to pay an additional $1,600?

Mr. Griffin: Would the manufacturer have been liable?

Mr. Stock: Yes. That's a contract agreement between you and him. He might have charged you $2,000 more to do the thing. I'm just saying at least you'd have got it in the purchase order. It's easier to budget, you know, than to fix up things later.

Mr. A. G. Burks: University of Iowa. I'm a little curious. Earlier he said that it was not necessary to pay some electrical contractor $5,000 to rework the wiring in an old building; what will happen if an institution with a hundred buildings does not get around to rewiring all those buildings with grounded outlets, and what happens when you come around and we've bought an IBM typewriter and have had to knock the ground wire off of it? I understand that you are ready to penalize institutions that knock the ground wire off.

Mr. Stock: That's right.

Mr. Burks: Did you say though that it was not necessary at this stage to go about rewiring all these buildings? This would actually break some institutions, I believe.

Mr. Stock: Basically you're talking about fixed plant facilities and that would include the 1910 regulations where we have adopted the National Electric Code. But we've also grandfathered a bunch of things in there, recognizing the fact that old buildings may be OK as wired. Although it doesn't meet some of the requirements of the code you don't have to rewire, except areas of equipment grounding.

In other words, if you do have an outlet, for most power equipment, you have to ground it — but not coffe pots, toasters, etc.

If you have grounded outlets, you don't have to change them to some other grounded outlet. There are a couple of conditions though. If you have grounded outlets for 110 volt tools and equipment that are the same as 220, you have to change something. You couldn't have 220 and 110 both in that same U-ground fitting.

Mr. Burks: I gather that another type of item that would be considered insignificant at this stage is that we can still use open-top wastebaskets in offices?

Mr. Stock: Just don't use it for gasoline storage, though, will you?

Mr. Robert Booth: Brigham Young University. Am I to understand that all typewriters are to be grounded?

Mr. Stock: No, I didn't say that. I shouldn't even have inferred that. If we come along and find an electric typewriter not grounded and the guy is working in a place that's isolated from groundable objects, we'll not fuss at you for that typewriter. We're not going to say spend a hundred dollars to ground a typewriter that's not worth 50. We'll use judgment, rule of reason.

Mr. Davis: I'm thinking of these ground fault detectors. They're making those little things portable now for $49, at least one I know of. Hubbell makes one for $49 list price, and the literature I got indicated that colleges and universities could get at least 20 per cent off, maybe more, depending on the quantity. Is there any merit in buying these and having the workman carry them to these old unequipped grounded buildings to plug into the outlet? Will that satisfy the Act?

Mr. Stock: Yes, I believe it would. In 1974 you have to use ground fault in all construction sites. Even for branch circuits. That little thing you're talking about would cover all the branch circuits. This ground fault device is fabulous, it doesn't

depend on a surge going back to a pull or tripper or breaker; it will happen instantaneously. And it's going to become of wide, wide use.

Mr. William C. Johnson: Foothill Community College. What effect will this have on the students? The crafts area with the machinery and safety.

Mr. Stock: Just the same requirements as for any other worker.

Mr. Blake: I want to make sure I understand that question. Are you saying that if we had a student that was using a machine of some type and was accidentally killed, we'd have to report that to you?

Mr. Stock: No, I didn't say that. But it very well could be reported to us and we would investigate. The Act covers places of employment and teachers are employed there.

If he's killed, you'll have to report that on your log. That's a recordable injury. We make an investigation.

The facts involving the thing and the hazard and so forth. We might even cite for a student injury or death, although it wouldn't be an employee.

Mr. Johnson: Are you saying that in the eyes of the law the student is considered an employee?

Mr. Stock: No.

Mr. Johnson: But the law is written for the safety of the employee?

Mr. Stock: That's right.

Mr. Johnson: How do you make a student applicable. You're going into an area here where it is beginning to imply to me that OSHA is implying that the student is an employee.

Mr. Stock: No we're not going to come along and say, "Here, Mr. Student, you're an employee." Don't say that. We'll say to the school, "You'd better make sure that the student complies with the regulations like your employees." Although, if he has an injury, it will not be a recordable injury. We'll say that safety has to be the same as you would to record your employees.

Moderator Chappell: We've exceeded our time. You gentlemen have given us a very informative session. Thank you.

WORKSHOP G

FREIGHT DAMAGE CLAIMS

WEDNESDAY AFTEPNOON, MAY 9, 1973

Mr. Gerald F. Evans, Moderator.

Mr. Evans: Our workshop this afternoon will be divided into three separate presentations by a shipper, a carrier, and a receiver.

The first person who will be talking to you this afternoon will be Mr. Phil Catalano from Steelcase. Phil is a native of Grand Rapids, Michigan and has held his present position as Traffic Manager for Steelcase, Inc. since February of 1959. Phil is very deeply involved in professional and civic activities in and around Michigan and Grand Rapids and many of you have had the opportunity to talk with him and have heard him talking in other meetings around the country.

The second portion of our program will be a presentation by Mr. Fred Wiersum who is President and General Manager of the Blodgett Furniture Service of Grand Rapids, Michigan. Mr. Wiersum has an extensive background in the transportation industry and his company is recognized as one of the leaders in the transportation and delivery of new furniture. Blodgett Transportation Company has grown from three tractors to 83 tractors and 104 semi tractor-trailers now.

Thirdly, we will hear from Mr. George Morrell who is a newly-elected vice president of the National Association of Educational Buyers, and who is currently the Director of Purchasers at Arizona State University at Tempe, Arizona. George has been there since 1946 as Director of Purchasers.

First we will hear from Mr. Phil Catalano.

Mr. Phillip T. Catalano: Ex-Parte 263 — the claims investigation case — did it really solve the claim problem? I would like to try to answer the question. I think the question can be partially answered since we have only had about one year to determine the effects of the decision on the freight claim problem. Some of you may not be aware of Ex-Parte 263 so I would like to review this proceeding which was a rule making procedure and investigation case by the Interstate Commerce Commission.

It all started on February 26, 1970, in Washington, D. C. when it was announced that the Commission would look into the problem of damage claims, their filing, collection, and any other problems connected with it. This action by the Interstate

Commerce Commission followed probably what was one of the biggest storms of protest by shippers and receivers throughout the country when on August 1st, 1969 the common-carrier industry truck lines, the railroads, and the freight forwarders all, either by coincidence, or other means, decided to enact what was now called the infamous "Rule 10."

It took the Interstate Commerce Commission approximately two years to decide the case after they took it under investigation in February of 1970. Finally, on February 24th, 1972, they announced their decision and the recommendation to solve the problem in a book 212 pages long.

Did this momentous decision really solve any problems? I can only give you my personal observation, and my answer is no, not completely. If anything, Ex-Parte 263 perhaps made the collection of concealed damage claims which, incidentally, are the toughest ones of all, almost impossible to collect. Today, instead of offering a one-third settlement or offer of payment, which was previously made voluntarily by all carriers for concealed damages, shippers and receivers alike are now told in a form letter, "our records do not indicate or show any unusual handling of this shipment while in our possession, et cetera; therefore, we are not guilty." Personally, I feel there is no way that a claimant can actually prove carrier liability on concealed damage.

Now, some of you are going to say, "Who's side is he on?" We, obviously, as shippers, and you, as receivers, have no way of knowing the type of handling that the merchandise receives while it is in the hands of the carrier after it leaves our factories and before you receive it. So, instead, we must all have faith in the handling that carriers give our merchandise while it is in their possession and, hopefully, while it is transported to us.

This means then that the carrier's integrity in paying all legitimate loss and damage claims becomes an obvious factor in the settlement of concealed damages. This is why today we look upon carrier selection as a very important, if not most important, decision.

One thing that this claims investigation case did, was to make it much easier to collect on claims for apparent damage or loss of merchandise in transit. If such loss was noted on the carrier's delivery receipt, or freight bill, it is just a mere formality to file this claim and usually you can expect to receive payment in not more than 120 days, which is allowed for the processing of any claim.

Our experience has shown that the carriers generally are very willing to pay this type of claim today usually in 60 days or less. I don't think it is realistic to look for a freight claim settlement in anything less than 60 days.

Another thing Ex-Parte 263 did was to require carriers to publish claim rules and regulations in tariff form and, this is very important, make them available to the general shipping and receiving public. This is the first time in the history of regulated transportation that this has ever happened, and this goes back to 1887.

This case also reemphasized the enforcement authority that the Interstate Commerce has for compliance with all the other rules and regulations, and the newly published rules and regulations, of the carriers. It also required that all claims must be acknowledged to the claimant within 30 days after it has been filed. This is a new requirement. If you don't get an acknowledgment in 30 days, you should go back to the carrier and demand an acknowledgment because it is a legal requirement.

This important case also established the maximum 120-day period for investigating and settling the claim, and you notice I didn't say pay it. If the claim cannot

be settled between the carrier and claimant within 120 days after it is filed, the carrier must now report the claim's status in writing to the claimant and must continue to do so every 60 days thereafter until it is settled. The carriers must also inform the claimant why the claim has not been paid and to justify the reason for the delay.

Another important thing that Ex-Parte 263 did was to require the carriers to dispose of salvage or damaged merchandise keeping in mind the best interest of all parties, particularly the claimant. The carriers must now keep very accurate records of all such salvage disposals, particularly, and make special note of this, if the goods are sold to carrier employees or management personnel. That is a real winner for us, believe me.

Logs must also be kept indicating an assigned lot number for each damaged piece of freight that the carrier sells for salvage. It also must record to whom the merchandise was sold, the date, and the amount. This regulation, I think, was a very important victory for the claimants because in the past it was relatively easy for carriers to dispose of valuable merchandise at ridiculously depressed prices and then offer the proceeds to the claimant as settlement in full, in some cases, for the entire loss.

No, I feel that Ex-Parte 263, the claims investigation case, did not completely solve the claim problem. It did, however, in some cases, simplify certain types and aspects of claims. I think it also stiffened the collection and filing problems, as I said earlier, particularly with regard to concealed damages. This case also reemphasized the fact that there are still no easy solutions at hand for solving freight loss and damage problems in spite of its many, many ramifications.

It is going to take the full cooperation of shippers, carriers, and receivers alike to find solutions. Good packaging, careful handling, good carrier selection, and good receiving practices can be combined to solve this problem if everybody puts their full effort to the cause.

Communication, particularly this panel today, is a step in that direction, and I can't over-emphasize that point. Thank you.

Mr. Evans: Now we go on to the next speaker, Mr. Fred Wiersum, President and General Manager of Blodgett Furniture Service of Grand Rapids.

Mr. Fred W. Wiersum: In the year that has elapsed since the Interstate Commerce Commission issued its landmark decision in Ex-Parte No. 263 that the rules and regulations and practices of regulated carriers with respect to the processing of loss and damage claims, it has become apparently clear that, at best, the most claimants can expect on claims for concealed damage is the offer of partial settlement.

Even more disturbing is the fact that a number of claims for concealed damage continue to be denied altogether. So long as I.C.C.-regulated carriers continue to settle concealed damage claims in this manner, all receivers of freight, manufacturers, wholesalers, and retailers, are going to have to adopt stricter procedures to deal with this problem.

One of the first places to start is at your receiving dock. All of your receiving personnel should be made aware of how essential it is that they closely inspect every incoming carton, crate, bundle, and box for both visible damage and concealed damage. All six sides of every shipping container should be carefully inspected as they come off the carrier's equipment to see if the containers are punctured or broken open and the contents inside are visible and seem to be damaged.

It is absolutely essential that a notation of that visible damage be made on both the carrier's copy of the delivery receipt, as well as your own. Have the driver sign or initial any notation you make on that delivery receipt. If the contents are punctured, or open cartons are not clearly visible, insist that such containers be opened and the condition of the contents be jointly examined by your people and the driver.

Naturally, if any damage is discovered, so note that on both copies of the delivery receipt. What you receive should be inspected very closely for concealed damages. Insist that your receiving personnel carefully examine the condition of each container. If they are crushed or mauled in such a manner as to indicate that the contents inside might be damaged, insist that such containers be opened right at that time and a joint inspection of the condition of the contents be made. The same goes for cartons whose contents rattle when shaken, particularly mirrors and lamps and items of that type. If damage is discovered, so note the damage, again, as I stated, on both of the delivery receipts and have the driver sign your exception.

From time to time questions arise as to what rights, if any, the consignee has to open containers that are damaged, crushed, or badly creased, to inspect the contents for possible damage before signing the delivery receipt.

Two statements, one by the Interstate Commerce Commission, and the other by a legal authority on loss of damage claims in the trucking industry, which both specifically add themselves to this particular subject. First is the statement from the Commission, and I will quote, repeating some remarks which came directly from the Commission:

"Carefully check for any visible signs of damage to the cartons, containers, or items, including any unusual rattles. If such damage exists the package should be opened immediately and a joint inventory and examination of contents should be made by the carriers and yourself. A full, detailed description of the results of such examination should be endorsed on both the carrier's delivery receipt and your copy. Generally, the carrier's driver will sign the exception on your copy of the document. The courts have generally ruled that a consignee may open the containers and examine the merchandise before giving a receipt to the carriers unless the containers indicate the probability of damage."

Now, that is the end of the quote. But, as far as the court rule, I am sure that you will get no objection on insisting – here's a statement by Ronald White who is the Executive Secretary of the National Freight Claim Council of the American Trucking Association:

"Where there is reasonable evidence or occasion from the appearance of the package that damage to the goods inside is present, we want the package opened right at that time so that the exact extent of damage can be determined as of that moment rather than at some later time when additional damage could have occurred after delivery. It is only when we have delivered the goods in apparent good condition, as recited on the delivery receipt, that we may not be required to witness the opening and unpacking of the contents. Where known damage, or probable damage, is indicated by reasonable evidence of the package, insist upon inspecting it and determining the extent of damage at the time of delivery."

I would like to say a few words on a possible savings through your use of the specialized furniture carriers. Sometimes I think some businesses don't really want to make the biggest possible profit in the way they do things, and we find some businesses unwilling to explore every possible avenue of saving time, and time is money; of saving work, and work is money.

As university and college buyers, every one of you has an opportunity to exert a tremendous influence on the profit picture, not only for your school directly, but also indirectly, by your influence on the profit picture of the entire system. Any new ideas that affects one of you, affects all of you.

Taken all together, supervising the complete buying and traffic operation of your furniture movements, all the way from the factory to the floors of your university, you, gentlemen, control an area that involves a spending and saving of literally millions of dollars yearly. Now, not exactly new, is the uncrated hauling of new furniture. It is not a new idea in the furniture industry, but if you haven't, I'm sure that you are going to want to try to because I am sure it can save yo' money in the long run.

It is really not a new idea because back in 1924 my father and grandfather happened to haul one of the first loads of uncrated furniture that was ever hauled. It is a new idea in the sense that a growing number of progressive furniture manufacturers are discovering its important place in their profit picture. That certainly makes it a living and growing idea, one that gets bigger and better as time goes along.

There are many uncrated and specialized new furniture haulers whose businesses have grown considerably. Most of us are very much in demand, and you cannot get uncrated service to every state in the union. In fact, here is something worth noting: Some manufactureres, and, in a few areas, where even crated furniture haulers are not given complete service yet and they are waiting for service to become available, these manufacturers are actually buying their own trucks to haul their own furniture, uncrated, and even doing it that way, the hard way, they are saving a lot of money.

You have got two ways to haul new furniture, crated or uncrated. Here is where you can eliminate some of the problems of these concealed damage claims, by shipping uncrated. When you receive furniture uncrated, your people can inspect it thoroughly when it comes off the truck. Now, with most carriers if there is any serious damage you can simply refuse it and have them take it back at that time to the manufacturer either for repair or replacement and have them deliver it to you at a later date. If it is something minor that your people can repair, make your notation with the driver and I am sure that the claim will be settled as soon as possible.

Properly planned purchase and delivery of your furniture should be delivered so that it can be installed right where you want it in the dormitory, the library, or the classrooms, wherever you may handle it. As you know, in the handling of most products, but, particularly, in furniture, the least number of times that you have to handle it the better off you are. The less chance you have of any damage.

Now, where do the savings start? First of all, the manufacturer has to have crating materials, cartons, lumber, nails and so on, and a place to store the material, and a labor force paid for to do the crating, and tools for the job, and a place to do the work. Now, remember your costs in the area of labor, tools, and time wasted in the uncrating operation and, further, the discovery of concealed damage. As you know, the people who handle crated furniture, that is the railroads and the common carriers, do not like to handle it. That is because they handle everything else under the sun, and crated furniture is generally bulky as well as hilly and is susceptible to damage.

Two conditions important to you resulting from this are: First, the furniture you ship crated may spend the next 50 years molding on a shipping dock. For example,

a crated table weighs 200 pounds, a crate of pig iron weighs a thousand pounds, and yet the table occupies the same space as the iron in the freight car or truck. Since shipping charges are by weight there is a lot more money to the shipping firm in hauling the iron. If a carrier has space in a load for either the iron or the table, but not both, he is going to take the article that he is going to make the most money on. Obviously, the one that means the most profit to him. The table sits as load after load is packed and moved until someday, when you get lucky, there is room for both the table and the iron, which gets us to the second important condition.

When the carrier takes the thousand pounds of iron and loads it on top of the table, when it gets to where it is going, which is most likely to be in the best condition, the iron or the table? In fact, just a few weeks ago, we tried to instruct our men as much as possible on how to load things.

For example, it will show "Fragile Furniture, a Colored Television Screen" on the bottom with all the heavy articles loaded on top, as you probably have seen if any of you have been at your receiving docks. That is why railroads and common carriers don't like to haul furniture. I am sure you know it is common knowledge that the Pennsylvania Railroad is one of the biggest individual furniture buyers in the country today. They don't buy all that furniture just to outfit the homes of their employees. They buy it because their shipping smashed it. I might add, they buy it crated — battered, but crated. When you ship uncrated you ship with a firm that specializes in handling uncrated new furniture. Uncrated or specialized furniture haulers have a record of far less damage to furniture. One reason is, of course, the simple fact that one of the other loads is a load of furniture exclusively and not a load of furniture and septic tanks all rattling around together.

Another reason is when you give a man an uncrated marble-top coffee table he knows what it is, he knows how to take proper care of it, he wraps it and pads it and packs it like it is a marble-topped coffee table, not just as if it were a crated monster with a tag claiming it is fragile.

More and more forward-looking manufacturers have developed two price structures for sealing on the dollar. They have one price for crated furniture and another price for uncrated furniture. By passing along part of their savings they encourage you to buy more and more of the furniture uncrated. The savings also encourages you to make more and more of your total furniture purchases from the manufacturer who gives this allowance to you. The manufacturer saves the clutter and cost of crating, you save the clutter and cost of uncrating, and you get the savings as well. Thank you.

Mr. Evans: Our next speaker will be George Morrell, Director of Purchasers at Arizona State University, Tempe, Arizona.

Mr. George W. Morrell: The best way that I can think of not to have to worry at all about filing freight damage claims is to be sure that you order F.O.B. receiving point, installed and in that way all of the claims must be filed by someone else. However, since this is not practical, there will be times when it is necessary for you, as a university representative to file claims. The responsibility for filing the claim is determined by wherever the title to the merchandise takes place. So, if it is F.O.B. shipping point, of course, the buyer has to file the claim. If it is F.O.B. receiving point, the delivery point, then the seller has to file the claim. The same thing is true if it is F.O.B. shipping point with freight allowed, the buyer still has to file the claim because the title takes place wherever the items were shipped.

Just a few short points that makes it a little bit easier to file claims; maybe I

might just submit a short resume on how the university handled theirs which might help in some instances.

First, make sure that your receiving department inspects thoroughly everything that hits the dock. If there is any damage, such as broken cartons, holes punched in the cartons, or anything of this nature, either do as you have heard before on inspection, or, at least, make sure that both copies of the freight bill are so marked so that if you need to file a freight claim at a later date after discovering freight damage, then you will have this to back you up.

Be sure you retain all the packaging materials, too. If you have to open the package and file a claim at a later date, make sure that all the packing and crating and cardboards, and so forth, is available for inspection. Make sure that you notify your carrier as soon as possible. The sooner you can do this after you receive the shipment the better off you are going to be. File your freight claim as soon as possible, and make sure your claim is complete. Make sure that you have all the supporting and necessary data. Don't go just halfway and just file the claim without any backup papers.

Use a standard claim form and you can get those from freight companies, stationery stores, or various other spots. You will need a copy of the inspection report, you will need a copy of the invoice, a copy of the paid freight bill, and you have to have the original bill of lading, and any other supporting document that you might feel would help you in your claim.

Sometimes even a camera is handy to have in your receiving area or wherever you do your unpacking. I feel this will support your claim by having some pictorial evidence as to what the damage is and the nature of the packaging, and so forth. Be sure you maintain a follow-up file. This is where a lot of us get lost with filing claims because we don't bother to file a follow-up on them.

Another hint that I would have for you is to be sure and establish definite responsibilities within your organization for the filing of claims and how much each individual must do.

At our university we have spread the responsibility. Our warehouse supervisor is responsible for checking the shipment and ascertaining any damage and notifying the carrier if any damage is found, and obtaining the inspection report. At that point the purchasing department — we have designated the assistant purchasing agent as a responsible person in that respect — is then responsible for obtaining the necessary supporting papers in filing the claim assuming the shipment was F.O.B. shipping point, it is our responsibility to file the claim. He is also responsible for the follow-up. Now, if it happens to be a F.O.B. university, the same procedure is followed except that all the necessary and supporting paper work is sent to the vendor for the filing of the claim.

We have instructions to our receiving department that insist that the receiver thoroughly inspect everything that comes off of the truck. We mark the freight bills as to whether or not any valuable damage to that carton was made. One time we also went to the point of marking on a freight bill if any unusual circumstances took place, if the driver rolled the package off the back of the truck, or if it was upside down with the arrows pointing up or pointing down. If you want to mark this at the time of the freight bill, go ahead and do it, because if it doesn't help you with your freight claims, it is sure going to help you the next time that driver comes into your dock if he knows that you are going to make this type of indication on the bill.

We have a problem that I am sure that most of us share in. Our shipping de-

partment — although we have central receiving — does not open all packages and make the day-to-day inspection at that particular point. We deliver the package by our own delivery trucks to whichever particular department it is going to, and it is opened and inspected there. Of course, you can see that in concealed damage this is a problem because the damage might not be found until it is moved from our shipping dock to another area. If this happens we return all of the merchandise with the packing material, crating, and so forth to the receiving dock and ask that the inspection be made there and the inspection report filed.

I'm not sure that I share with Phil in his statement that it is almost impossible to collect a concealed damage claim. We haven't had that experience so far. I don't say that we can collect every one of them, but we collect our share. I think a lot of it depends on how complete your claim is, what backup papers you have, and what real evidence you have got, and also a lot will depend on the carrier that you are dealing with, too.

Now, just a general remark that might be of some interest to the people from the universities. What do you do after you file the claim in order to insure that you receive the merchandise that was originally ordered? You have ordered something and you have gotten it in but it is not useable. If the order was F.O.B. shipping point, pay for the original shipment. We use a special account in our university which we call "Freight Damage" wherein we reorder from this account and reimburse the account with the amount received when the claim is finalized.

If, at the end of the year, that account is in the red, which it normally is because you don't always get back 100 per cent from your freight claims, we make an adjustment within our accounting records and call that an "operational expense." If the merchandise is F.O.B. university, then we request from the vendor, disposition of the damaged item. If there was to be a replacement rather than a repair, we request shipment immediately of the replacement. We do not pay the invoice until the item is satisfactorily repaired, or we receive a replacement.

It is the policy of our university that if an item is damaged and can be repaired without showing, then we will accept repair. If the repair is obvious and it cannot be replaced to its original status, then we will not accept the repair. We require replacement in that respect.

We also have a policy that if the damage is minor, and it will not affect the useability of the item, and it has not greatly impaired the appearance, we do not file a freight claim. We get away from the minor freight damage claims in this respect. Sometimes it is really not worth filing a claim if you just have a scratch in the back of a file or something that can be repaired with a very minor amount of labor and cost.

I checked with Phil on this next statement because I wasn't absolutely sure of this. I have down here that the concealed damage must be reported within 15 days after delivery. Phil tells me that this is no longer true that it has been declared an illegal rule, and that the 15-day limit is not actively in force. However, the sooner you can notify the carrier of concealed damage the better your chances are going to be that you might be able to collect something on the concealed damage.

You have a minimum of nine months to file a damage claim, that is nine months from the date of delivery of the merchandise. The rule, I think, is that notice of filing the claim must be made within nine months; but I would suggest that you actually file the claim within nine months.

The fact that you have telephoned somebody or that you might have written something on the freight bill, or something of this nature, is really not an adequate

filing, so, if you are going to file a claim, it must be within nine months of receipt of the merchandise.

Let me caution you not to give up in the filing of a claim if you think that your cause is just and right. Continue the follow-up and file as much evidence as you possibly can. We have just recently completed a claim somewhere in the neighborhood of $3500 worth of damage to some special type files that was concealed damage. We filed a claim in June of 1971, and just within the last two or three months we received 100 per cent reimbursement on that claim.

Also, if you don't feel that you have received adequate compensation from the freight companies, from the carriers, and you want to carry it further, you always can resort to legal action after your claim has been turned down.

In reviewing our claims over the past years, I find that we have filed about 50 per cent fewer freight claims this past year than we did the year before. To me that seems like maybe there is a trend in the shipping industry to be a little more careful with freight, and maybe there is some type of educational program going on within the shipping companies, and possibly it has something to do with better packaging and crating. I don't know if that is true in most of the other universities or not, but it is in our case.

Mr. Don Fields: Marietta College. On your uncrated furniture moving, let's say you just have a dozen items, is there no advantage in coming out in the sticks with these items unless he comes with a full load? Does he have a right to pawn it off on somebody else? This has happened to me. Does anybody have any luck as far as getting claim results with U.P.?

Mr. Catalano: I will try to answer the first question in regard to the uncrated furniture. We had, as far as our company is concerned, to expedite service, interlining shipments with another carrier that is specialized in handling uncrated merchandise.

If, like yourself, you are way off in the sticks, and it is only two or three pieces, tell the carrier and shipper ahead of time. He might say that it might be three or four weeks before they are going to have a truck going through that area. At least inform them of the fact so that if he feels for these two or three pieces that he wants to pack them and ship them to expedite them along, he can do it. But, as far as interlining carriers, they should have agreements between them so they are both responsible in case any damage occurs.

I would have been disappointed if someone hadn't brought up the problem of U.P. shipments. U.P. is a very unique company. They are the largest transportation company in the world, and they do it by, number one, handling freight that nobody else wants to handle.

Secondly, they have, as a part of their service, no paper work on shipment, believe it or not. The reason their service is so economical — and it does a very effective job in handling small parcels, because they have some definite procedures and policies that they have tried to implement.

First of all, there is no legal rule that I know of and, bear in mind, I am not an attorney, that prevents the legal title holder to the merchandise to file a claim with any common carier. That, I am sure of.

However, U.P. does, in order to complement their service, allow them to continue the service of the small parcel industry. They have attempted to centralize their claims with the shippers only. That is kind of a round-about answer, but it is an answer telling it like it is. They will try to get you to go back to your manufacturer and have him file the claim.

One other thing, commenting on George's remark, we don't file any freight loss and damage claims with any carrier for loss less than $25. The carriers know this and they love us for it because we don't nickel-and-dime them to death.

One point of clarification, again with George, in my remark, I didn't say that it was impossible to collect concealed damage claims; what I said was that I feel there is no way a claimant can prove carrier liability on concealed damage.

Mr. James S. Freeborn: Clark County Community College. I was with the receiving department of Mr. Morrell's university up until a few months ago and, every time U.P. damaged something, we notified them, they picked up the damaged parcel and returned it through their system to the shipper, and immediately, the replacement was sent back through their system and, again, that is the simplicity of the claim. There was no claim, they just took it and replaced it.

Mr. Beryl Price: Wheaton College, Wheaton, Illinois. Mr. Morrell, when you commented that when a receiving department accidentally opened a carton that was shipped to a department, and there was concealed damage that was discovered after the school truck handled it, doesn't that cancel out any possibility of claim against the original shippers? Isn't there some sort of a disclaimer, or question, on the claim form that it has been moved from the original spot, or something to that effect?

Mr. Morrell: It makes it that much more difficult to prove that it wasn't done between the time that it left your dock and the time that it got to the other department. To my knowledge, and I will ask Phil about this, it doesn't cancel out the claim.

Mr. Catalano: You are right, George, but it does, and I think I am expressing a personal opinion, split the responsibility. Legally, the carrier will not inspect merchandise if it is not at the point of initial delivery. Each handling of the shipment, of course, gives it the added exposure and, under English common law, as we know it today, the burden of proof is upon the claimant. In other words, the carrier doesn't have to prove that he did not damage it. The claimant must prove that the carrier damaged it. There isn't a court in the United States, or anywhere in the English common law world, that has proved differently. This is why subsequent handling after delivery complicates a claim that is already complicated because it was concealed in the first place.

Mr. Morrell: I don't really feel that ought to leave the impression that we are trying to get anything out of the freight companies that is really not due us. If this particular shipment shows concealed damage after it is received in each of the departments it goes to, if there is a possibility, and a good possibility, that it was damaged on our truck, we will not file a claim.

When it comes back to our freight dock and there is definitely some type of damage that we know could not have happened on our truck — this can happen, you can drop a box, or hit it on a fragment and it does damage — and there is good evidence, in our opinion, that it was not done on our receiving dock, then we will file a claim; otherwise, we don't.

Mrs. Maureen Raine: West Valley Joint Community College, Campbell, California. We don't accept deliveries that are prepaid, or, we only accept deliveries that are warehouse prepaid. Either the vendor pays the freight or he asks to be invoiced.

A couple of times we have had a delivery come in, for instance, a car load of paper, and the paper hardens — maybe there has been a flood or something, so we wouldn't even take it off the truck. Another time there was a $20,000 press deliv-

ered and when they moved it out the whole side was caved in. So, in either case, we didn't accept the delivery. We only have a very small warehouse.

The second time they delivered the paper it was in dry cartons, like a new shipment should be, and we got two bills from the company and I would only pay one. We got into a real hassle, and I just wondered if anyone else has ever had this problem.

Mr. Wiersum: First of all, the person, or the party, who pays the freight does not necessarily have to indicate whether title has passed or not. The F.O.B. terms indicate whether title has passed. For example, if your F.O.B. terms are factory freight prepaid, as it is in our case, this means that title to goods passes at the time of shipment and the manufacturer will absorb and allow the freight title that has passed to you at the time it is given to the carrier. Secondly, you must pay the freight charges in both cases because the carrier is entitled to be paid for his services even though he may have damaged the goods in the process.

Your question was, "Should I pay the freight charges twice?" There were two shipments, so, therefore, two freight bills and two services were performed. In my opinion, yes, you are legally required to pay it because if you don't pay the freight bill, you can't file the claim because the claim can't be filed without a receipted paid freight bill, or a copy thereof. So, you would be filing a claim without a supporting document.

Mrs. Raine: But I didn't file the claim, I just sent it back. I didn't accept delivery.

Mr. Wiersum: Then that is the supplier's problem, assuming that title was retained by the shipper and did not pass to you. The carrier is going to be paid by somebody.

Mr. Sam Morey: Association of American Medical Colleges, Washington. We are an association in an office building with no loading docks, no receiving personnel, and if we indicate on a purchase order that our shipping address is Suite 200, Number One DuPonte Circle, where can we expect to be the full delivery point?

My second question is, how can I write the purchase order so that we can get our shipments and get it on our floor; or would we be better off to have it shipped to a local carrier and local furniture manufacturer?

Mr. Wiersum: It is really a matter of complete communication, and if you so indicate on your order that you want instant delivery, Steelcase will so arrange for it on those deliveries and it will be delivered wherever you want it. If you want it in your office there are additional charges for that to which they will invoice you for it. But the service will be performed in the way you want it performed.

Mr. Morey: My question, sir, is if I don't specify instant delivery, where is the liability of the truck driver to leave that furniture?

Mr. Wiersum: Right off the tailgate.

Mr. Morey: Wherever he can park?

Mr. Wiersum: If you don't have a dock, that's right. If you have a dock, he has to place it on your dock.

Mr. Morey: If the dock is occupied, does he have to wait?

Mr. Wiersum: A normal period of time, yes. If it is an extended period of time — there are rules and regulations in the tariff on waiting time, and, generally, you have up to an hour of free time — there is a specified waiting charge in the tariff, and I think it is eight or ten dollars an hour. That is the waiting time, they are going to charge you for that.

Mr. Evans: There is one question that was submitted earlier by an individual

who was unable to be here. Frequently, there are hassles when claims are filed as to who was to blame, whether it was a supplier, indirectly, or the carrier who has mishandled it in the transportation from the shipping point to the delivery point. Would either one of you three gentlemen care to comment on that aspect of it, please? The receiver is in the middle of an argument that he can't resolve, and it is troublesome for all of us.

Mr. Catalano: That is what we call "disputed packaging specifications." The shipper has a responsibility of making certain that all the packaging that he uses on his products complies with all the rules and regulations of common carriers that he is using.

We know, for example, that in our company that is a basic requirement and, as such, we are probably unique in the furniture industry in that we have a full-time freight packaging engineer who is in charge of our packaging functions. We feel very competent that our packaging complies.

Quite often an inspection is made by a carrier, a salesman, or a truck driver, or some carrier personnel who is not a packaging expert and he will say that the package is not adequate. You do not have to accept that unless he specifically comes out and says it was supposed to be in a 400-pound corrugated, double-wall bursting test carton, and the shipper used a 200-pound. Then, you have a recourse against the supplier or the manufacturer.

If, however, the carrier does not specifically pinpoint the packaging violation, then he is just trying to find a loophole, and, I think, Fred will back me up on that.

Mr. Wiersum: Yes, there is no question about that.

There is one other out which the carrier is also responsible, and that is he should be instructed in checking this merchandise when it is picked up. He assumes a certain amount of liability when he accepts this merchandise, which, of course, it becomes a problem of resolving between the shipper and the carrier. It should, however, leave you in the clear as far as your claim is concerned as a receiver.

Mr. Catalano: Absolutely, and I would encourage you in every case, regardless of who the supplier is, to go back to him with that problem because he has the burden of proof that his packaging does meet the carrier's requirements.

Mr. Frank S. Harter: University of California-Berkeley, retired. Before we did this business of uncrated furniture, we were completely at the mercy of the railroads, and we got damage free cars, and we put on vibration meters and that shook them up, and, I think, it is carried on down to the truckers.

Mr. Catalano: Sometimes you will find a situation where a shipper will not, or cannot, give a crating or packaging allowance. Don't let this stop you from utilizing that service if it is available and you want to incur the advantage that is yours. We ship, I would say, upwards of 40 to 45 per cent of all of our profits unpackaged. Our damage loss ratio on unpackaged shipping is probably about one-half of one per cent, which is phenomenally low. Our experience with crated common carriers is that the damage ratio runs anywhere from one to five per cent, which is very high.

What we did at our company, because we ship freight prepaid, was to allow for it though our terms of F.O.B. Grand Rapids, or F.O.B. factory. We take into consideration the cost of packaging when we are determining whether we should ship crated or uncrated.

For example, if we ship a car load of desks from Grand Rapids to Berkeley, California, and it costs — I will just use a round figure — a thousand dollars, that is a thousand dolars for freight, and maybe there is anywhere from five to seven

dollars to packaging a desk. So, if you get 50 or 60 or 70 desks in that car, you have got $350 or $400 or more in packaging. Logically, we are very delighted to ship uncrated even though we pay $1400 to ship the same quantity. In other words, we have eliminated the expense we have used to offset or equalize the higher cost of uncrated shipping and, I think, this is what Fred was pointing out when he said, "Go back to the manufacturer and try to work out these details." Another thing, don't be afraid to pay a little extra to get this service.

Mr. Ronald Hehn: Montana State University, Bozeman, Montana. Does the use of insurance have any effect on carrier damage? Does it make sense to insure some of the things that are being shipped?

Mr. Weirsum: Well, it will help by possibly putting more pressure on the carrier of having a legal representative go back on a claim, and, also, you have overall coverage.

But, as far as you are concerned, you are going to be paid. It is up to you if you want to go to that extra expense, but I don't think it is really necessary unless it is an article of unusual value.

Mr. Catalano: Some of you may, or may not, be members of the National Office Products Association, better known as N.O.P.A., who recently came out last month with this N.O.P.A. freight guide. It is designed so that it can be tacked up in your receiving department and it pretty much capitalizes all the things to do to protect your interest, particularly, with regard to claims.

Mr. Evans: If there are no further questions, gentlemen, thank you very much.

WORKSHOP H

EVALUATION ROUND TABLE

WEDNESDAY AFTERNOON, MAY 9, 1973

Mr. Wallace B. Rogers, Vice President, NAEB, presiding as Moderator . . .

Moderator Rogers: It is now five after three and it is time to start our final discussion on evaluation which will be a round-table presentation. We have four members of our panel.

To my far left is Joe Fornes who spoke this morning; on my immediate left is Russ Reister from the University of Michigan who spoke yesterday on personnel matters; to my far right is Paul Bacon of the University of Buffalo; and the newest member of our panel is Gale Hankins. Gale is Assistant Business Manager at the University of Missouri in Kansas City. He holds a masters degree in Business Administration from the same institution, has been in purchasing for fifteen years with the University of Missouri, and currently he is responsible for the business operation of their dental school.

He has paid his dues, both monetarily and participation-wise to the E & I and NAEB and NAPM. He has an excellent set of credentials and is a fine member of our Association.

The format this afternoon will be to give each of the panelists an opportunity to talk for about ten minutes, either to recap their previous presentations or to comment on those presented by others. We will start with Russ from the University of Michigan.

Mr. Reister, University of Michigan: I was glad to hear from Dr. Bacon that

other people are concerned about the fact that the administration may be looking at them asking for some kind of evaluation of their service. I probably was getting a little paranoiac because I thought we were the only ones, but if there is somebody else that is being looked at, that's fine.

I think personnel has a peculiar problem in this area, particularly if you are being evaluated based on the number of staff that you have compared with some other school, such as, in our case, Michigan and Michigan State. We are blessed with a very large personnel department. I think we can justify it, but I hate to get in the position of justifying it just based on numbers or incremental increases.

In my presentation, I spoke of a number of things that have affected the personnel function since 1965: affirmative action, liberalizations, negotiating contracts, unemployment compensation, OSHA, several others. The extreme pressures on the University to meet these generally legal requirements have been tremendous, and most of those pressures have been focused on the personnel department. So we have staffed up to meet these new demands and, as a result, we are in a position where our office has doubled in size since 1966. I don't think the purchasing department has done that. I can suggest to you that if you have doubled in size in the last six years, you really are trying to justify your staff.

I would also be concerned that as you think about evaluating any function, you not become too imbued with the idea that you are going to do it with numbers. In other words, an awful lot of the effort that goes into quantitative evaluation raises a lot of questions in my mind. I think there are so many external factors that are beyond our control which affect our productivity as far as numbers are concerned that I would hate to get in the business of trying to justify my existence based on numbers. The fact of the matter is I don't think that you can do much of a job of justifying a lot of your activity based on numbers.

For instance, would you attempt to measure the personnel function by the number of grievances that were answered? Now if you think about that for a minute, what's good and what's bad? That we answered 1,036 grievances last year? Is that good? Or is it bad that we had 1,036 grievances? And if it's bad, who the devil was to blame for them? Was it the personnel department or was it the fact that we had a bunch of lousy managers? Or perhaps there wasn't anything at all in the control of the University that accounted for those 1,036 grievances. Perhaps you were faced with a union that was attempting to organize, or perhaps it was the year that the union contract expired, or perhaps it was the year that the union officer ran for election. I can assure you that all these things will influence the number of grievances that you face.

I think you need to be very concerned about quantitative measures and, to the extent you can, look for qualitative measures when you are trying to evaluate your service. And I recognize that is a tough job, but I think I would rather take on the tough job than try to rely on many quantitative kinds of measures.

Dr. Bacon warned about administrators who came forward with flip proposals on methods of evaluation, and I am going to tread very lightly on his toes. I will suggest, facetiously, that the purchasing department might establish a criterion for measuring its performance, based on the ratio of pounds of paper for dollars of purchases.

Joe made the comment that the purchasing department controls the commodity budget and that when a department runs out of funds, you no longer purchase for them. In personnel, and we find ourselves in the same boat of being a control over expenditures of salary dollars. We have position control on the non-academic side,

every position is budgeted on a Cardex and you can't fill a position unless there is a vacancy. In addition to this, the payroll department controls the salary budget from an absolute salary dollar standpoint. And now I hear from Joe that he controls the commodity budget from the purchasing department. And I would suggest that we are all wrong or if this is really our responsibility, we are underpaid. I wonder if you ever ask yourself why we pay deans $40,000 a year and don't expect them to run their business well. I suspect most of us get about half of that and we've got to control their budgets. I suspect there is something wrong and I keep harping on that back home. I don't get very far, but it's a matter of principle with me. I think if we budget the literary college, in our case, $20 million and we pay that good dean $40- or $45,000 a year to be an administrator, that it shouldn't be our job to make sure that he doesn't overexpend his budget.

With that, I will turn it back to Mr. Rogers.

Moderator Rogers: Thank you, Russ. Next we will hear from Gale.

Mr. Gale C. Hankins, Purchasing Agent, University of Missouri-Kansas City: Thank you, Wally.

I certainly believe that there is a valid need for evaluating the purchasing department. It is interesting to note that this is not a new subject. Approximately forty-two years ago, the National Association of Purchasing Agents which later became the National Association of Purchasing Management, along with the National Association of Cost Accountants, sponsored a project to evaluate purchasing and they gave liberal cash awards. Since that time, there have been many articles written, many seminars and things of that nature, so you would think it would be unnecessary for us to have a meeting this many years later to try to determine whether we should evaluate the purchasing department. However, it is essential and I think some of the reasons were brought out quite well in the questions this morning.

When you speak of evaluating purchasing, many people are concerned:

1. Are we just going to be generating a lot of statistics that are going to be very hard to deal with? Do we spend most of our time doing that rather than buying?

2. How can you compare the purchasing department at the University of California with, say, a small private college somewhere else in the United States or even a purchasing department in a university with a purchasing department in a major company?

I think it is quite obvious that there are many problems when we try to evaluate the purchasing department. There wouldn't be any problem if we had a universal yardstick that was reliable that would measure the efficiency in purchasing. I think we are all aware that quite unfortunately there is none.

An evaluation is simply an appraisement, an answering of the question "How are we doing?" In order to answer this question, we need to know what we are supposed to be doing. This seems quite simple enough. Our primary function is buying, so there really shouldn't be any problem in determining what we should be doing. However, there are so many variables that it is very difficult to compare departments. There are tremendous differences in policies and procedures between, for instance, a private institution and a state supported institution, It is quite hard to come with comparisons that would be applicable to both.

There are further variations within a department. Some purchasing departments managers supervise primarily clerical functions. Others are materials management in very effective purchasing departments. How could you compare these two types of purchasing departments? We might come up with a simple com-

parison such as "What does it cost to operate a purchasing department?" We might find one in which the cost of operating the purchasing department is three-quarters of one percent of the total expenditures and another one might be 2% and they might both be equally good. So I don't think that is a true measure.

In this case you could "improve your efficiency" by paying more for what you buy. You all realize that that wouldn't be what we want.

When we are looking at purchasing, I think there is a dual job to be done: one is the efficiency in the department (in other words, the administration of the purchasing department); and the other is proficiency in the operation of the purchasing function. We need to consider these two phases separately.

Proficiency in purchasing relates more to the specific professional skill in procurement which is the functional purpose of purchasing. This phase embraces total expenditures and product costs, whereas departmental administration represents only a small percentage of the total cost. Every effort should be made to keep the departmental expenses at a practical minimum. However, this should not be emphasized to a degree that would suggest or encourage doing without such departmental activities as research, training, cost analysis, vendor evaluation, and other similar activities. We might cut our immediate costs by eliminating some of these things, but in the long run it would not help our proficiency in buying which really is the larger segment of our total cost.

The whole effort in devising a system of measurement is to focus attention on good purchasing practice, not on a formula of evaluation. The purchasing executive and his staff should be able to concentrate on their function of procurement, with confidence that their actual accomplishment will be fairly recognized and reflected in the measurement. Measurements are standards and may be useful not only in setting objectives but also in controlling and appraising progress. The purpose of any evaluation or measurement is an attempt to improve the operation. If it does not do this, then it would be meaningless. We do need to continue our efforts to find a better way of measuring results and I certainly think that the program we had this morning will help to further this principle. I think we will find that many other organizations are working along the same line of trying to come up with a good system.

In establishing measurement systems, we need to be careful that we don't devise a system that will improve results in one area only to the detriment of another area. An example of this might be to rate our buyers on the basis of cost savings only, only to find then that the quality of merchandise we are buying is deteriorating and vendor services are deteriorating.

Stuart F. Heinritz suggests the following reasons for evaluation:

(1) To determine the work load so as to determine personnel requirements
(2) To improve performance
(3) To discover reasonable potentials beyond present performance
(4) To determine what the purchasing job is worth.

J. H. Westing and I. V. Fine have this to say: "Evaluation of a department in a business organization may be described quite simply as measuring the performance of that department against some standard or norm."

They also state:

"The purchasing department is one of the more difficult ones to evaluate because, like sales, the purchasing personnel do some of their most effective work for the company in the area of interpersonal relations."

When we talk about a method of evaluating the purchasing department, we

may want to consider sending out evaluation questionnaires to our vendors to find out what their opinion is of the purchasing department and of the buyers they deal with. Are they ethical? Are they professional in their work? We might do the same with our faculty to try to evaluate where we stand. We may need kind of a peer evaluation.

Whenever we talk about evaluation, we are really talking about comparison. The purpose of comparison is to determine how well the actual performance compares with the planned performance. I think most of us probably have an objective or planned purpose for the operation of our department. I am sure the administration of our universities have a plan in mind of what they expect from purchasing. Better performance generally results from a controlled operation in comparison to one that is uncontrolled. We need to constantly evaluate, measure and appraise the output of our department to ensure that it measures up to the goals which we have established. When we evaluate our performance objectively, we can expect this performance to improve.

I am sure we are being evaluated by the administration of our institutions, comparing our operation with the physical plant or the finance office or others. I think the most effective appraisal of the purchasing department can be done by the head of the purchasing department since he is in a better position to evaluate the department.

We need to work to come up with a system of evaluation that will be meaningful, but we need to watch so that we don't come up with a system that tries to compare the purchasing department of each and every one of our institutions represented here. If we come up with too rigid standards it could be detrimental to us. But I do feel that we need a certain amount of evaluation.

Moderator Rogers: Thank you, Gale. Joe, you're next.

Mr. Fornes: Thank you, Wally.

I agree with what Gale has said. Human relations are tremendously important. The purchasing department at South Florida has excellent relations both with the personnel people and the accountants. But I remind the accountants that there is always room for negative thinkers, and I would remind the personnel people that there is always room for directors of the obvious. I think most of us must be our own personnel managers. But we can use their expertise also.

Personnel has doubled in size for external reasons. Our purchasing department has not doubled in size. In fact, it has decreased and that has been one of my prime objectives. Maybe a numerical increase in people probably leads to geometric increases in personnel problems. Some people will do four hours' work in eight hours, others eight in eight. I like to see ten in eight, if possible. As was pointed out this morning, this mass of documentation is no substitute for competent purchasing managers.

I would take exception to Russ's comment. If it came across this way, it was certainly not my intention. We do not manage the budget. That is what the directors, the deans and all are paid to do. Some of them don't do the job and I think they should be forced to do it. But I don't want my buyers and myself spinning our wheels, going off preparing bids and all the other things when no dollars are available. So we do not control the budget, but I like to know that it's there, It is their decision as to how it is to be used and certainly not a purchasing function. Personnel at our institution used to try to control the merit increases and what have you. I can't manage without dollars. If you set personnel rules that I can't give a probationary increase or it can only be 5.25%, how can I manage and attract

capable people? I can't. I fought that for about four years and we made some progress, I was given some control over my budget.

We in purchasing certainly need the guidance of the personnel people, they are the experts just as we should be the experts in purchasing.

Thank you.

Moderator Rogers: Thank you, Joe. Dr. Paul Bacon.

Dr. Bacon: I heard Mr. Reister talk on the evaluation of personnel and we have just gone through some of this in our purchasing personnel. One of the questions was: "Do you handle any confidential material?" And purchasing does. Purchasing handles bids and it is rather important that we handle these properly and that we handle them as very, very confidential material, because the next question they asked was: "What effect does this have on the institution?" Well, it has a very disastrous effect if you are playing "footsie" with bids and it doesn't give you a very good image in the newspapers.

If you stop to realize it, the purchasing people, in many instances, are really public relations people for the institution. Sometimes you and your people are the only ones that outsiders see.

I had some quantitative statistics in there this morning and I had them in there for a purpose because I felt this little business of time is rather important. But there was something else that perhaps I neglected to say. You noticed that I had some fudge factors in there for difficulty of performing the task, and this was something that the purchasing agent and the buyer was to settle. They were to cast these. Perhaps the purchasing agent could do it alone, but I would suggest that he do it in conference with the buyer.

I wouldn't want to leave you with the impression that an evaluation of a buyer is just an evaluation of a buyer. I think when we evaluate the buyer, we are evaluating ourselves. If you have buyers, you as purchasing agents are responsible for whatever the buyer does. You are responsible to see that he is a well-trained, competent individual. In my estimation, you should not put yourself in the position of being too aloof to teach the man on the spot in a gentlemanly, appropriate manner. He should feel free to come to you with questions. If you find one of your buyers doing something that is radically wrong, you should take the initiative to make certain that he is corrected. Many times these men and women are reluctant to come and state their position. Many of us are reluctant to express our ignorance. If you have a few quantitative statistics and you find that someone is in trouble, hopefully you can iron out the problem before it becomes a major problem.

So I say you are not only evaluating the buyer: you are evaluating yourself, because you cannot escape what comes out of the purchasing department.

Moderator Rogers: Thank you all for your comments.

We have heard it said many ways this morning and this afternoon that we must be cautious in the quantitative measurement of purchasing. There was an expression made by a learned educator that I would like to read which I keep in front of me on my desk. It was made by Henry Riston who once said: "Formulas make decision easy to arrive at a wisdom." And I think this sums up what we have been talking about on quantitative measurement of performance.

With that, the floor is open to questions. We would like you to state your name clearly, the institution you are from and the name of the person to whom you are directing your question.

Mr. G. Edward Nealand, Director of Purchasing, Massachusetts Institute of Technology: Wally, just a general question. I would be very interested in knowing

by a show of hands: How many here in the room are with state control colleges? How many with private? And how many are with church-related? Those are the three categories that are involved in this Association.

Moderator Rogers: All right. Those who are with state institutions raise your hands. (Many hands raised) Those with private institutions? (Fewer hands raised) If anybody is taking a count, I voted twice because we are both state and endowed at Cornell. Church-affiliated? (About five or six)

Mr. Rhiinger: As we evaluate our people in the purchasing department. How do we actually do this? According to a book or based on general experience? Do we do this every working day in our lives? Or do we do what is most generally done in state systems, that is as the sixth month approaches make a hurried survey of the individual and, on the basis of recollection in one hour or less, grade him poor or superior?

My question is: How many people in this room go about evaluating the people in their departments on a day-by-day basis and do it in an intelligent manner?

Mr. Reister: One of the toughest jobs for the supervisor or manager is evaluating people. I have an idea that some good managers would certainly talk to the employee immediately about anything that was extremely good or extremely bad.

From day to day you should perhaps make some notes that the person is doing something good but it is not worth going out and making a comment on it today. But it may be something you want to make a note of. Then when you get ready to evaluate your people, you may have six, eight or ten little slips of paper that you put in the file about which you want to talk. What happens in practice probably is something entirely different from that. Where there is a periodic evaluation and you evaluate your employees every six months or every year, probably you scurry around and try to think of things to say. But even that system does force you to get together and sit down with your employee and it gives the employee an opportunity to say something if they want to, and, with increasing frequency they do. I find that our new employees are much more prone to let us know what they like about the job and what they don't like.

Moderator Rogers: Thank you, Russ.

Mr. Schulze, Essex County College: (Mr. Schulze commented on problems he had encountered concerning the confidential nature of evaluations entered into personnel records.)

Mr. Reister: First of all, an evaluation that you write on an employee and tuck away in the file isn't worth the paper it's written on if it was put in the file and not discussed with the employee. I would suggest you do away with the system because you are asking for the kind of problems you get.

Mr. Schulze: It was discussed with the employee. Both the employee and I signed the document.

Mr. Reister: Okay. Very good.

Mr. D. R. Kimrey, Director of Purchasing, University of Oklahoma: Talking about the six-month reports and the three-month reports and the forms that you keep, and so on. I think that each and every person who is a manager evaluates, at least subconsciously, every day down through the buyer level. Perhaps you don't get down into the clerical level, but you react to statements from the faculty and from other people in the administration. I don't believe evaluating ever stops. I believe it goes on during your whole working day, every day, at least with the people with whom you have contact.

Mr. Sitler, Memphis State University: We evaluate purchasing from the stand-

point of its effectiveness to meeting the customer's demand. School is in session right now and if the academic side needs something this semester, purchasing hasn't helped them one bit if they give it to them next semester.

Mr. Crowley, Pennsylvania State University: I think we are getting into entirely new subject matter. We all have a very realistic problem, and this is personnel relations and personnel management and the evaluation, this kind of thing. But I would like to bring this back to where we were this morning. I think what a lot of us would like to hear is what we should be looking at for performance evaluation of our purchasing, not necessarily whether my buyer is better than yours or whether he is better than the buyer in the next office, but rather what we should be doing to better ourselves as a department.

Mr. Jan Martens, Director of Purchasing, Fordham University, Bronx, New York: I don't know whether anyone has union people. How do you get them merit raises if the salaries are arranged by the Teamsters or the AFL-CIO locals? Those are the people I have on the same pay scales. How do you do that?

Mr. Reister: If your employees are covered by a collective bargaining agreement, they are the exclusive bargaining agent and they will bargain those salaries and the employees will be happy with them. If they are not, they can talk to the union. They can't talk to you. There is nothing you can do unilaterally to adjust the salaries of union employees.

Mr. Nealand: I would like a little clarification on this union business. Are you saying that some of your buyers are unionized or are we talking about stock collection and that kind of thing? Where do you break in this thing?

Mr. Sitler: Ours is merely physical plant.

Mr. Mason: So is Creighton.

Mr. Bennett, University of Nebraska-Lincoln: Getting back to departmental performance, and so on, and in the line of measuring the unmeasurable, I would like to hear from anyone with a good method of measuring savings. The purchasing department really has two things called for: savings and service. Anything else is mere paper work. Measuring savings in the present inflationary economy is a very difficult thing to do. For a number of years, I kept a record of the same commodity and showed how we were able to reduce the price on that over the years as we evaluated it. During the past five years, we have dropped this. Currently we are in an "Alice in Wonderland" situation where you have to run as fast as you can to stay in the same place. How do you evaluate or measure savings in an inflationary economy? The Florida system of taking the requisitioner's estimate is a very dangerous one. We, at any rate, have a lot of optimistic staff who estimate very low on requisitions, occasionally by a factor of minus five.

Mr. Fornes: For example each university was buying cut paper on their own bids. As a result of this ICOP Committee, we then put out a bid for the nine universities for their cut-paper needs. Of course, we had the price records for that. The State of Florida then took essentially our same bid and put it out for the entire State of Florida. ICOP saved a tremendous amount of money compared to what each individual university was paying. In turn, even today the state is paying less (and that was about three years back when ICOP established their bid for nine universities) for the same quality of paper with the inflation than we were three years ago with the nine universities.

This is one way of measuring. I am not so sure if you talk about sophisticated purchases and scientific purchases, where you make one purchase and then you may not make another for a long period of time, that you can measure meaning-

fully. As I pointed out this morning, I thought it was very dangerous also. However, as to this capability of keeping records on what we pay and the trends, I know of very few purchasing offices that have someone making some kind of trend analysis. We're all flying by the seat of our pants. Coming back to Dick's point, I like to think that the basic philosophy is that the system, whether it is computerized, manual or whatever, should provide an effective means to accomplish the job. Well, what's the job? It may be to buy everything as quickly as possible. It may be to consolidate all the purchases and make savings. I can't evaluate my purchasing department exactly as Dick does because although our philosophies are fairly close, they're not the same and I wouldn't be happy with his evaluation system any more than he is happy with mine. But if it accomplished a job at your university as you have defined it and if it provides information to make changes as you see them, not as I see them, then maybe that is what you ought to have.

Mr. Lester E. Elliott, Director of Purchases, University of Illinois at Urbana/Champaign: The technique of evaluating, in relation to price increases, inflation, and so forth, can be found in a very simple way by having produced automatically usage history on standard items. A couple of weeks ago, we had some ladies from our secretariat of the campus comment about some of the office supply products. They were claiming that the cellulose tape we were buying was no good. I was curious about this so I personally looked into this and found that our usage history, (coming automatically from our computer analysis at the end of each month and at the end of the year) showed that we were using three times as much mending tape as we were cellulose tape. It turned out that they were misusing their tape. Well, they were evaluating two different things. If you look at your pricing, it turns out that in most cases the mending tape is almost double the price of a good competitively priced cellulose tape. By these methods, we go back, and it is almost on a daily basis, to see if there is a gap to jump. In fact, we have a Dick Butkus approach in our operation: if there's a gap, you'd better shoot it. Gene Ingram just whispered to me, we need to find those indices to which we can compare things, not on a once-a-year basis, not every week or whatever it might be, but whenever it might be necessary.

We are starting just recently at Urbana some of these evaluative procedures in a rather unusual way. Since we can't launch a full-blown program with limited personnel, we have used this Dick Butkus approach. We are going to shoot gaps and find these indices and balance them on a regular basis. If a buyer can do it without any other help or any other encouragement, he or she will do it.

Mr. Crowley: I don't agree 100% with Joe. I think that some of the things he showed us this morning are very nice and in certain instances they may be very valuable to an institution. I need reports and statistics just as every one in this room needs reports and statistics, but I think they have to be tempered to the institution.

I think that what I was expecting to get from this session was possibly some guidelines and some criteria as to how I relate my department with, for instance, Joe's department. What was said this morning was that the number of purchase orders you pass in a year is no criterion. This may be. I could show you instances where my volume has gone up and my purchase orders have gone down. So by being more professional, I am putting myself out of business because people are saying, "Why do you need extra personnel? Your volume's coming down." It could go the other way.

About eight or ten months ago I sent a letter out making an inquiry for my

own edification because I was new at Penn State and it was a new ball game. I wanted to try to relate how Penn State was doing with other comparable schools. And I have back in my office maybe twenty responses from some major colleges in the United States. I asked these questions: What is your volume? How many personnel do you have? What is the breakdown as far as clerks, clerk-typists, secretaries, buyers, junior buyers, assistants, and so forth, in the department. Do you do accounts payable? I asked this kind of thing, because although maybe it isn't meaningful and maybe we can't set a common standard, but, we all have these statistics available and we have got to start on a common ground.

It was very interesting when I sat down and made a graph of all the responses that I obtained from you people. I am sitting here saying that our volume is about $30 million a year and we're writing 73,000 purchase orders. I am not saying we are doing that effectively. Maybe we should be writing 50,000 or 150,000. I don't know. But when I look at Temple, which is very comparable in size, and when I look at Michigan State, at Cal. Tech. and at the University of Maryland, and I try to equate my size with theirs and I look at their staffing and I see that some of them have staffs that are four times larger than mine. Others are very comparable in size and some others are maybe our size. Maybe there is some basic ground that we should be looking at. From my personal vantage point, I wanted to get to some basics here today that I could take back and say, "Okay. Maybe the report that I am giving to upper management that last year we wrote 73,000 purchase orders and we wrote $30 million isn't worth anything." But I don't know what else to give them. If I can't compare that with everybody else, tell me what I can compare, because this is what I am looking for.

But I think we have to ferret out what items are valid for each and every one of us. And there are many items, as Joe said, that some of us would use and that some of us will not use. I still think that basically there are maybe half a dozen points that we can all use.

Mr. Donaldson, Texas A&M University: I think that there is something we can all measure in the search for quantitative analysis. The National League has a way of figuring batting averages and you can find out that Roberto Clemente was a great outfielder by reading that he had a lifetime batting average of 317 and that Joe Zilch had one of 220. But everybody who knows baseball would know that Roberto Clemente was a better outfielder than Joe Zilch if no statistics existed. We didn't learn this from reading the statistics. How well are we playing the game? I could care less about vague dollar value of savings. I don't believe, Dick, that there is an accurate way to measure that. But I think I can tell a good buyer when I see one. And I think that this proficiency in the procurement technique, that Gale cited, is far more important than the measurement of the efficiency of the paper work operation in which we seem to be preoccupied.

Mr. Bennett, University of Nebraska: Wes is quite correct there. One technique that I would suggest, which is not original with me (It was developed by Gene Ingram and Carl Donaldson years previously) is the attempt to measure what you are actually doing with the orders that you are placing. In short, are you just crossing your fingers and shooting orders through or are you really doing something with them. The criterion being what percent of your orders in dollar amount is placed on an exact price basis? What percent is placed on an estimated price basis? And what percent of the merchandise received is as ordered? These three figures give you a very good pattern as to whether you are really performing a useful service or merely handling paper. I feel that if we are developing a national standard,

here is something that is universally applicable. There will be within each institution factors that will affect what the theoretical ideal is for that institution, but at least this gives us some sort of common measurement basis.

Mr. Kimrey, University of Oklahoma: I agree that you get a certain level, a certain gauge or background of information as to what is going on, but I think you have to take into consideration the competency of your people at the buyer level. If these people really know the products they are working with and the companies with whom they are dealing they will know where they can place the so-called unpriced orders to the greatest advantage to have on the paper work. I got the impression that you did not feel that the person was doing a good job if he had too many unpriced orders. I can't agree with this philosophy because he should have the knowledge and the ability to handle that type order. In most cases, there will actually be an increase in efficiency.

Mr. Bennett: Right.

Mr. Sitler: We have been evaluating our purchasing department at Memphis State and have come up with this saying, "If purchasing cannot add something positive to the operation, get out of it." We used to have all the book orders come through us and typed a bunch of purchase orders. It looked good on the charts. We're out of that business. We told the departments, "On anything up to fifty bucks, nonrepetitive, buy it yourself on your own charge account, stamp an invoice, send it to accounting." We have cut down our purchase orders 50% this year.

Moderator Rogers: I said that fifteen years ago and Lou Clayton from the University of Wisconsin said to me, "Young man, you're preaching heresy. But I agree with you 100%." (Laughter)

Mr. Newland, Baylor University: I constantly evaluate myself. If I worked on the purchase and it was a good purchase, I feel like I did a good job. You usually get told if it's a bad job. Now if I don't know anything about the item and none of the people in the purchasing department know anything about it we act as a rubber stamp and, to be honest, I think most of the ladies and men here will all have to admit that we are somewhat of a rubber stamp. Even though I am a rubber stamp in that case I don't let it die there. I try to keep a good record so that I can see what the end result of that purchase was. If it was bad, we have gained experience that is going to help the University in the future.

We send out a questionnaire periodically to the faculty. In the questionnaire there is this request: "Evaluate this administrator on the basis of points 1 to 10, try to be objective, keep out the personalities as much as possible, and rate this person on the way they perform their function so far as your department is concerned." The first three negative votes of, say, ten against me are cast out. Those are the ones that hate me. The ones that love me and give me a perfect score are cast out. So the center part of the votes is chosen as the criterion. I have been rated anywhere from fourth out of 51 administrators to eleventh. I am not saying that this contributes anything to efficient purchasing, but it says something I like because it hasn't been lower than eleventh. (Laughter)

Mr. W. G. Nelson, Director, Purchasing and Central Services, University of Pittsburgh: I am one who doesn't like to keep score either. It seems, however, that we have to have some kind of benchmark. I would like to suggest that we trade some ideas on some indices. Although they may be crippling to some extent by all of the qualifications at least we would have something to kick around and maybe we could come down to a few that would be helpful.

To Urbana, I would say that if we had enough data, perhaps we could use the

economic tool of the constant dollar. But the quality of the things we buy over the years doesn't remain stable either. We have discontinuous purchasing. We might buy two or three electronic microscopes back at Pitt one year then go five or six years without buying one and we find that great changes were made two years after we bought the last one. Although the price may have gone up $25,000, it might, by some technique of going back and looking at the quality, actually have decreased.

So we are back again where we started and we can't find our way out qualitatively or quantitatively.

Mr. Bennett: Take a simple product like plywood. Plywood doubled in cost in the last three months.

Mr. Nelson: Dr. Bacon, is there today, in your estimation, a true qualitative measurement in statistics? What I have noticed is that we have been able to take quantitative tools and sort of dress them up a little bit to call them qualitative.

Dr. Bacon: Like Earl Newland, I think you have to go to your clients at least to see how well you're doing. You may not like the answers you're getting.

Mr. Nelson: The faculty has every right to evaluate themselves. Their own professionalism gives them that right and we have agreed to it. I hold that those within administrative positions too have every right to self-appraisal. I think that is part of our professionalism, and I like that kind of approach to a qualitative measurement. I don't think a nice neat statistical tool exists.

Dr. Bacon: I don't think so either.

Mr. Jones, Yale University: I think we have gotten two different functions confused here this afternoon and we seem to be playing a game of Ping-Pong, bouncing back and forth one to the other. The first is evaluation and the second is comparison. We all evaluate the effectiveness of our functions, each in our own way. It is perhaps relatively unimportant how we do it, so long as we do it. If a guy is strong in intuitive skills, maybe he can just sense how well the purchasing function is being performed. I rely on a variety of mostly quantitative approaches. We put together a report on a quarterly basis and that report goes up to my boss, the Director of the University Operations. I report to him on ten mostly quantitative things that are important and allow him and allow me to track the procurement function over time, to measure its effectiveness. Evaluation of a function is something that each and every one of us does in a very personal kind of way, and whatever way is comfortable for us and effective for us, I think is the way we ought to do it.

The other thing that we have been kicking around is comparison. I responded to Dick Crowley's letter and I am sure many other peole in this room did. We have done some comparative work. There have been some attempts to compare Bob Mullen's operation at Harvard and mine. The thing to keep in mind is that every purchasing department that is represented here is different. Bob buys all of Harvard's insurance. That's got to be worth a lot of money in the course of a year. I buy no insurance for Yale. Just on that basis alone, the number of transactions that we handle, the dollar volume of our operations, have got to be different. Joe mentioned this morning that he had the invoice checking function under his responsibility. I don't. That means that the numbers of people that we have reporting to us are variably different. Comparisons are the dangerous things. But so long as they are done, for instance, within this room among peers, among equals, among people who speak the same language, I see nothing wrong with it and a great deal that may be helpful. But the cry for standard ways of comparing purchasing departments scares

me because there is no such thing as a standard purchasing department and hence I can't think of a standard way in which they can be compared. Comparison is not the same as evaluation.

A couple of people have mentioned indices on how you evaluate cost savings. We have had an index for four years. We created four years ago the Yale Commodity Index. The theory is that if the prices of the goods and services that we purchase increase more slowly than those in the marketplace, then the Yale purchasing department is doing a pretty good job. If, on the other hand, the prices that Yale pays rise faster — and I am assuming an inflationary economy — than those in the marketplace, there is something wrong and we have some problems.

So we constructed an index about four years ago and it was made up of a hundred commonly purchased items. They were weighted according to the pattern of purchases that we thought we made. We created a weighted average of a hundred items, and each item was selected in order to be representative of a larger class of items. We have some papers in there which represent a lot of the items we buy. So paper had to be representative; furniture had to be representative; laboratory supplies, glassware, electronic components are represented. This was done pretty arbitrarily but it was done as carefully as we could. We calculate this index every quarter and we have been tracking it now for four years. The prices that Yale has paid have risen almost exactly half as rapidly as the prices in the general marketplace as reflected by the Bureau of Labor Statistics, Industrial Commodity Index. I will be the first one to admit that our statistics are not absolutely perfect or precise, that our index could probably be improved in the way we put it together. Maybe there is a better indicator to measure it against than the BLS Industrial Commodity Index, but we haven't found one. I think we are better off measuring it against something and not waiting for the ultimate solution, and I have become convinced over the last four years that this is a valid indicator of the way in which the Yale purchasing department is performing on its day-to-day, repetitive buying assignment. The big cost savings projects, where you change vendors or you get a new building to furnish, are going to stand out by themselves. You don't have to worry about those. You have to worry about the daily routine, the small dollar value items, the repetitive items, the things that aren't very glamorous or exciting. I think that this use of an index serves that purpose and I would be delighted to give anybody who is interested the complete details when I get back to the office. Help yourselves to it. It helped us and it may help you.

Moderator Rogers: Thank you, Dick. We are sorry if we didn't give you answers, but maybe we are sending you home with questions you didn't have before, and that in itself is worth a lot. At this time, I would like to thank our four panelists for their contributions to this session, and I would like to thank the audience for their very active participation.

WORKSHOP I

PURCHASING TO PROTECT THE ENVIRONMENT

WEDNESDAY AFTERNOON, MAY 9, 1973

Mr. Frank P. Lopez, Moderator.

Moderator Lopez: The first gentleman is Mr. John Zierold, Sacramento representative of the Sierra Club. Mr. Zierold.

Mr. John Zierold: Sacramento representative I think is probably a little bit misleading. I am really the legislative advocate for the Sierra Club with the California legislature, and that I'm sure all of you know really means lobbyist.

The Sierra Club has many interests in legislation. We work very actively with the state legislature in Sacramento and with the Congress in an attempt to impact the legislative process in hopes of a better quality of life. It's an old organization, as old I suppose as many of your universities. It was founded in 1892 by the famous naturalist, John Muir. It's grown from a handful of Muir's friends to a membership today of 141,000. It's a nationwide organization. 90,000 of its membership comes from California; the remainder is spread throughout the country. When people ask me what I do for the club, I explain that as a lobbyist I am attempting to convey a specific perspective to the California legislature. And that is to explain to that legislature and its members the meaning of the term, "scientific imperative"; or put another way, the autonomy of the physical world. This is a concept that has escaped lawmakers for a long time. I think the process we see in government is a reflection of a long-standing American outlook that dates back to our earliest days as a nation. For those of you who have read James Fenimore Cooper, you know the name Leather Stocking. You will perhaps remember that during that time we really had an attitude wherein the American, if he thought his circumstances got too crowded, simply shouldered his pack and whistled for his dog and struck out for the setting sun. Because there was a lot out there to plow under. He had plenty of forests to rape; he had many of the earth's minerals to mine; and all manner of land on which to conduct commercial activity.

I think it's clear to all of us today that that period and era of profligacy and lack of concern for stewardship is at an end. We have been saying this for a long time. Garrett Hardin in the 1950's wrote an excellent book on the problems of population growth. Sadly, it drew very little attention. It wasn't until Dr. Paul Ehrlich of Stanford about two or three years ago, wrote the **Population Bomb** that people really began to take this issue seriously. Even so, there are many throughout the country who have scoffed at these particular expressions of concern as being no more than hand wringing. They have laughed at the environmentalist and defined him as a man who just wants more wilderness to cry out in. It's not true.

I think if you have read the morning papers from Los Angeles today you will see that what environmentalists have been concerned about for the past two decades is today an immediate reality that all of us will have to come to grips with. If you haven't seen it, I can tell you there was a banner headline in the Los Angeles TIMES final morning edition which states that there is indeed a resource crisis; and that we are at this point in time faced with the necessity to make plans for the future, because we do not have an inexhaustible supply of natural resources.

Now, I don't know precisely how that relates to a convention of educational buyers. When I began to talk about this with some others who were coming here, I said I didn't see that there was much degree of fit for a lobbyist and a group of vice-presidents or business managers who make purchases.

You have, I think, been exposed to a lot of generalizations about the environment for a long time and probably don't need to hear it again — although I'm not absolutely sure of that. But, at any rate, I went through the exhibits that the manufacturers and the vendors have set up in the adjoining lobby and I was very sorry to see that there was no booth, no exhibit to set forth some ideas as to how you could do it better.

No one is trying to sell ycu an idea here; they're trying to sell you hardware,

furniture, rugs, beds, and mattresses. At any rate, I think we are all in a sense guilty of a certain amount of lassitude. If I could leave no other idea with you at a conference like this, I would leave to you some sense of urgency. Maybe I can take several specific examples as to just how critical the situation really is. William Ruckelshaus, about two months ago, appeared in Los Angeles not as part of the Watergate investigations, but in his role as head of the environmental quality branch of government in Washington. He pointed out to people that they might very easily be faced with the necessity for gasoline rationing in Los Angeles.

I wonder how many of you have ever thought about a policy which would lead to the purchase only of those motor vehicles for your school system which use propane? How many of you, for example, have ever thought of buying automobiles which have at least the capacity for 20 miles per gallon in gasoline consumption?

How many of you have thought about not having air conditioning in your motor vehicles because it increases gasoline consumption? How many of you, for example, have thought about insisting on buying recycled paper, even though all of us know it costs a little bit more at the present time? How many of you have gone to the major officialdom of your university and asked them to impact the legislative process to establish policy which would require us to minimize our solid wastes, to buy only those products which are recycled?

Why recycled paper even though it costs more? California is a timber-growing state; yet we find that in our state we are cutting our timber resources on private lands at a rate far in excess of sanity. We cut a hundred per cent more than we grow, which is grim enough. But what is even worse, we are cutting a hundred per cent more than the capacity of the land to reproduce it. How long are our timber resources going to last under those circumstances? What is it doing to prices, and in turn the economy? I can tell you that in Sacramento, for example, if you want to buy framing timber for your house, Canadian spruce, or Douglas fir, you now pay $270 a thousand-board feet. Maybe that's a figure that doesn't mean too much to many people. It means, if you're building a $30,000 house, that it now costs you $1,600 more for construction just because of lumber prices.

It means that with the price of timber being driven up there is a reliance on alternate materials for construction, primarily aluminum. Now, to some people that may seem a simple economic gain; but when you begin to assess the amount of energy necessary to produce aluminum, you'll see that it's really a diseconomy.

All of you in a sense must be concerned about economics. But do you have a specific policy which addresses itself to this kind of problem? I suspect not, because if government doesn't have it there's no reason to expect you to have it. Yet we must have some kind of policy. We must establish some system of economic incentive which is going to force American industry and its customers to conserve resources. If we don't, we're in serious trouble. Dr. Meadows at M.I.T. was right in his book, **THE LIMITS TO GROWTH.** There are limits. There are not sufficient resources over the long term to serve the existing system.

If in Latin America, for example, we're going to raise the standard of living to something approximating our own, just in those 15 republics we would require almost 12 times the annual production of copper in the world today. That's a startling figure. What's happening in government to solve that kind of problem? Very little.

Energy is another crunch. What do you do in your school system to insist on insulation standards that will reduce your requirements for heat and your requirements for cooling systems? If you went to what we call the 6-4-2 system of insula-

tion, you could reduce your electrical energy requirements by 33 per cent, approximately. You would require 33 per cent less heat and air conditioning, just by that system alone. And if in turn you required your architects to do more careful site planning, so you got winter sun and summer shade — and this is possible — you would reduce those requirements even further.

It may seem small to you, but it's very important taken cumulatively. In California according to the Federal Power Commission perspectus — and forgive me for talking about California because it's the one issue on which I do have some specifics — we expect to increase our energy production and consumption by a factor of 25 by the year 2000. That is not hand-wringing on our part. Those are projections extrapolated by current patterns of growth, and made by the Federal Power Commission. That's good news I suppose, if you're a stockholder in a utility company; but it's very grim news for those people who examine the consequences of this kind of growth ethic.

We found, for example, in looking at this statistic that we had to evaluate what the impact would be on California resources. We knew that we couldn't produce this electricity by hydroelectric systems. We've exhausted our hydroelectric potential. We knew also that the utility companies are sold on the need to use nuclear energy to meet this expected new demand. But where are they going to go? The wisest place, of course, would be to put them inland, essentially out of the city and away from load centers because of the problems on emergency core cooling systems, and with the disposal of radioactive wastes which is a raging scientific controversy right now. But it's not possible to put them inland. If we were to do so it would take six times the annual flow of all the rivers in California just to cool the power plants. We know that's not possible, even assuming this were a desirable thing to do — not to moderate demand, but to meet it.

The utility companies say, "Well, we'll put them on the coastline in California, because there is ample cold water there for cooling purposes." We examined that possibility. We took a look at the largest existing plant in our state, which is a thousand megawatts. We found that if we used a thousand megawatt plant to meet this demand, by the year 2000 we'd have a power plant every seven miles on the California coastline from Oregon to Mexico.

We also found out after talking to our scientists that the thermal impact would be 40,000 watts of heat per linear foot added to the Pacific Ocean. And the effect on sea life while it isn't immediately determinable, certainly would have to be substantial.

That is the consequence of careless buying. That is the consequence of a public which has no concern for what the impact is going to be of continuing as we are today. It makes sense to recycle; it makes sense to conserve. It makes sense then, obviously, to let government know how serious these problems are and press for a solution. It isn't being done. You get certain concepts of life style; people say, "Well, if you want to conserve water, for example, put a brick in your toilet tank," which is really very marginal when you stop and think of it. It's going to take a very long time to get everyone to do that. But, on the other hand, if we write legislation which amends the building code and requires that every toilet tank be built smaller, and has two systems of flush — one for fecal matter, and one for urine — you're going to reduce the amount of water consumed.

What I'm really saying to you is that it's necessary for all of us, whether members of the Sierra Club or the academic community, to go to government and tell them that no longer can man seek to exempt himself from biological law, as he

has done for a long time. No longer can we with impunity amend biological law or try to do so in the same way that we amend the streets and highways code or the education code. It isn't going to work. The penalty we pay for that is very high and far out of proportion to the offense as we have understood it in the past.

I hope that somehow this convention or its officers — that is to say the officers of the Association — would appoint some kind of study group to make policy, to carry that policy not only within your particular community, that is to say the community of educational buyers. Study it seriously and bring your recommendations to the attention of the major officialdom of the entire academic community in the United States.

You're not doing enough. I don't mean you particularly, but the academic community. It's not doing enough. Whether it's at the elementary school level, the secondary school level, or the university and college system.

In 1968 we were able to get passed in California a piece of legislation which requires environmental education in the school system, but we can't get any money for it. Yet our high schools spend $20 million a year on driver education, each and every year. You can argue clearly that this is not particularly in the best interests of the pursuit of excellence in academic matters. It's even worse in terms of what we're encouraging our students to do. We are spending public money and the time of our academic institutions to train and to qualify people to operate a motor vehicle, the source of 70 per cent of our worst air pollution in this country. I realize that the educational buyers don't make that kind of policy; but it should add its voice to those voices which are now expressing concern over policy as outdated as this.

If all of you really resolved to pull your weight in saving our stock of exhaustible resources, moderating the demand for electricity, establishing an official policy which is going to deal more with recycled materials than with materials from virgin sources; then we have a chance. If you don't, and if the industrial community does not, we aren't going to see a logical extension of prosperity. We're going to see a reduction in it. We're going to see a reduction in the standard of living in this country and elsewhere. You know what Edmund Burke said: "All that's necessary for evil to triumph is for enough good men to do nothing." And I think we've been doing nothing for much too long. I would urge that if you have the opportunity to take immediate steps today, certainly before this convention ends, to see appointed some study group to determine how you can set forth a list of preferred materials which if purchased as a preference would lead to an abatement of this earth exhaustive syndrome. Thank you very much.

Moderator Lopez: Mr. Zierold, thank you very much. Our next gentleman is Mr. Lawrence H. Pleau. He is Assistant Materiel Manager at the University of California-Davis. Native-born Californian, graduate of Stockton High School, a B-24 pilot during World War II; and I guess leading into the session here a graduate of the University of California-Davis College of Agriculture. He's been with the University of California for 24 years. Larry, I don't know what tact you're going to have, but I hope you give us more hope. I feel pretty grim after this. But I think we all should; and maybe in the question-and-answer period we can explore more what we can do as a study group.

Mr. Lawrence E. Pleau: Thank you, Mr. Lopez. In many respects I share the same position John Zierold does, and he'll probably shoot holes through what I have to say before I'm through. I am going to speak from the perspective of the

State of California; and I suspect most of you people are from other parts of the country. But I feel that the issue is identical, no matter where we are.

Purchase of radio chemicals is probably my best example of buying to protect the ecology. And I'm not really saying it's protecting the ecology from Mr. Zierold's point of view. The methodology and resulting choice to use a radio chemical was weighed by the researcher or teacher against other alternatives, the local campus environmental health and safety officer or safety committee reviewed and approved the use of the chemical and provides surveillance and collection of waste material. A federal license was obtained, that amongst other requirements included certification on the institution's ability to safely work with radioactive material. We in materiel management must be knowledgeable of the Department of Transportation regulations on how much can be transported in a single shipment, container construction, mode of travel, inventory control and the difficult task of negotiating a disposal contract with a commercial company licensed by the state or federal government. Because of the recognized high degree of danger associated with radioactive chemicals, policies and procedures are structured at all levels from the federal government to the local campus community and we readily recognize the ecological effects of working with radioactive materials, especially if we have a spill.

Today I would like to concentrate on less apparent aspects of buying to protect the ecology. My exposure to the "ecological cause" was the result of student interest in recycle-reuse sweeping the country in 1970. Students at Davis banded together and conducted a bi-monthly waste collection project on a supermarket parking lot adjacent to their living group. At the outset, collection was not altogether selective, and as a result of similar action across the country, solid waste was collected at an accelerated rate. For many of the solid waste commodities the market became glutted. The glut was most apparent in the biggest single component of solid waste — paper. Students and others drew the conclusion that increased demand and use of products containing a high percentage of recycled material would solve the market glut problem and save trees. Student interest is in ecology and protecting the environment in this instance was directed toward saving trees.

The cost factor, availablity of an acceptable alternate product, quality of the recycled product, industry's willingness to change, sustained yield timber growing, and pollution associated with recycling was not considered. The Associated Students at U.C.L.A. and their Office of Environmental Studies started a letter-writing campaign to increase the use of recycled office paper. Incidentally, the students had and still have an effective communication system between campuses of the U.C. system and probably between other universities as well and the word travels fast.

The logical place for students to start creating a demand for recycled paper products was at home in the university and as the Davis campus purchases cut paper stock for the entire U.C. system, I became involved. From information given me by the U.C.L.A. Student Environmental Studies Group, research on our part and contact with paper manufacturers, I soon found that most of the action on recycling of paper products was centered in the State and City of New York. The City of New York is one of the largest solid waste collectors in the United States with no place to put it. New York recognizes the fact that if they intend to dispose of solid waste by recycling, they must also create a market for the recycled product, or continue to pay for an ecologically unsatisfactory disposal method.

New York has attempted to create this market for waste product. One method has been to establish specifications for office papers that contained a minimum of

20 per cent recycled de-inked fibers. The fibers must be in addition to any use of envelope cuttings, hard white shavings, mill broke or bindery trimmings which are normally recycled. The "de-inked" fiber was specified to encourage the use of wastepaper collected outside the plant. Other papers used by New York specified larger amounts of recycled wastepaper. New York is exercising preferential purchasing practices. They expect to pay more for their office papers. They want to create new markets for secondary materials which are now being disposed of by their sanitation department.

California, because it is adjacent to paper manufacturers' natural resource, and uses predominantly land fill disposal methods, did not have a source of supply for a recycled paper product. Additionally, there was no agreement between manufacturer and consumer on what constituted a recycled product. As is typical with most social problems, because of competitive market situations, an industry will not on its own, because of cost, set environmental standards or even agree to a standard for that matter.

It takes the state or federal government acting for the public welfare to step in and establish standards and regulate competing corporations (and that includes consumers). At this point all must conform to the same standard and the results are continued competition on an equal basis.

In the case of recycle paper, our next exposure to definitions and specifications for recycled office papers was G.S.A. News Release 5326 dated August 2, 1971, that defined post-consumer waste and waste generated after completion of the papermaking process. The university's 1971 cut paper stock requests for quotation were rewritten to include the new definitions of recycled paper. Results of our solicitation were disappointing. On April 14, 1971, Senator Beilenson introduced in the State of California Senate, Bill 1269, Public Purchases: Recycled Paper; and Assemblymen Vasconcellos and Dunlap introduced a similar recycle paper bill, in the state assembly, Bill 2168. Both bills passed the legislature and were signed into law by the Governor in April 1972.

The new California legislation included a definition for a recycled paper product essentially the same as the G.S.A. definition, and established that "the state departments shall establish procedures and specifications to require that, wherever feasible, all paper and woodpulp products purchased contain a minimum of 10 to 50 per cent recycled paper as defined in Part I — Post Consumer Waste." A companion part of the procurement legislation was the requirement that state agencies establish, wherever feasible, a collection plan for the sale and re-use of office papers. The university does collect for recycle purposes tab cards and computer print-outs. Our campus, because of student interest and the high cost of disposal sites in the Bay Area has started a collection system to retrieve type office papers for recycle purposes.

My observation that environmentalists and the press have shifted the emphasis this past from recycling and utilization to environmental protection. Most news stories center around environmental impact studies for new construction and the cleaning of the air through auto emission control. We at U.C. are currently evaluating bids for quotations on the six California Air Resources Board approved devices for emission control on 1966 through 1970 vehicles.

Again, state government established environmental protection standards. University campuses in the Los Angeles basin to a limited extent, converted select vehicles to L.P. gas, prior to establishment of state standards, but this new Air

Resources control requirement will require modification of 100 to 200 U.C. vehicles scattered throughout the state.

My third example of government control and legislation is, again — a State of California law — Assembly Bill No. 3040 (Public Works and Purchases — Contracts, Chapter 1812, 1971 regular session). The bill provides that no state agency shall enter into any contract over $5,000 for the purchase of supplies, equipment or services from any person who is in violation of any order or resolution not subject to review, promulgated by the Air Resources Board, a county air pollution control district, the Bay Area Air Pollution Control district, or regional air pollution district and for violation of waste discharge requirements pursuant to Section 13301 of the Water Code. Fortunately for us, the State Water Resources Control Board publishes lists of persons and business entities violating state or federal water pollution laws. Information on violation in other areas doesn't come quite so easy.

My examples of government controls that affect buying to protect the ecology are from the State of California. Those of you from other parts of the country have in recent years experienced similar laws in your states. Through the use of public agency purchasing power, federal, state, and local government achieve desired social action by making compliance a condition of purchase. Buying to protect the ecology is no exception to the use of this purchasing power. I see buying to protect the ecology as having two main components as related to Educational Buyers. First, conserving natural resources, and second, disposition of the resulting solid waste, both post-consumer and that resulting from the manufacturing process.

Our direct control is only over the post-consumer waste, and for some of us that may be limited. We do exert some decision-making in the trade-off between raw material products. The U.S. Department of Health, Education and Welfare estimates that 50 per cent of the copper, lead, and iron and about 30 per cent of the aluminum, and 20 per cent of the zinc is reused but less than 10 per cent of textiles, rubber and glass and 20 per cent of all paper is recycled. This should cause us concern when we recognize that paper is the largest single component of solid waste and represents 40 to 60 per cent of our refuse by weight.

Rather than discuss specific items of procurement, I would like to confine my comments today to paper stock and how it relates to our subject of discussion. If you have looked recently at your institution's office and publications paper consumption, I'm sure you have the impression that your school must surely control the market.

Data compiled by the American Paper Institute reveals that in 1944 wastepaper accounted for 36.6 per cent of the fiber consumed in the manufacture of new paper. We were on a wartime footing and our economy was geared to recycle and reuse. Our economy has changed and the institute estimates recycled wastepaper will drop to 15 per cent of the total manufactured by 1985. Chemical Week for March 21, 1973 cited a study by the Midwest Research Institute for the Solid Waste Council of the paper industry "that without incentives in the form of federal aid by means of tax credits, favorable freight rates and influence on public attitudes the down trend in recycling of paper will continue." Certain problems are inherent in the remanufacture of office and reproduction plant papers from recycled waste. Customers insist on quality products; quality suffers markedly, depending on the amount of reclaimed paper or secondary fiber use.

Paper is made from a wide variety of wood fibers. Each variety of fiber imparts a desired characteristic to the paper for its intended use such as tearing and folding strength, tensile and bursting strength, and formation and opacity. Waste-

paper most often replaces hardwood fibers and is associated with the formation and opacity of paper. Collected wastepaper must be carefully segregated and collected in sufficient quantity if quality is to be maintained.

Timber companies and pulpwood mills have another problem. They are in competition with the wastepaper "raw material," they also have a product to sell. It is in their paper mills and on their paper machines that paper is manufactured and they already have an ecology problem when they manufacture paper from virgin pulp. In our economy they must manufacture an acceptable product at a profit.

Mr. J. L. McClintok, Director Environmental Resources, Weyerhaeuser Timber Company has a different approach to protecting the ecology and points out another aspect of environmental protection. Mr. McClintok cites the need for ultimate disposal of paper products. Recycling of wastepapers is only a short-term disposal method. Sooner or later the fiber will not be long or strong enough to make paper. In addition the product self-destructs naturally in the tree or in paper and at some point in time it is not usable in the recycle process. The de-inking process, to name just one, in itself creates a chemical disposal and pollution problem great enough to have forced the close-down of a Weyerhaeuser Company paper mill. The cost of abatement of the de-inking plant and the pollution abatement program priced the reclaimed fiber above the market price of pulp.

Those of us that follow the paper market realize that a major contributing factor to the present paper shortage is directly related to the close-down of a number of mills and paper machines as a direct result of stringent federal, state and local environmental standards. Weyerhaeuser Company cites that trees are one of our few regenerable natural resources. They cite that their corporation plants and grows more trees each year than are harvested. They as well as other timber companies have their tree farms on a sustained-yield basis.

They point out that it is true only to a limited extent that recycling paper will save trees because most of the paper (over 5[illegible]er cent) which is made today is made from waste material already, i.e., downed and dead trees, small trees that are removed in thinning operations because they are shaded by bigger trees, and would die naturally. They consider this a recycle of a forest product that would otherwise decay and rot, or be intentionally or accidentally burned, creating smoke pollution and loss of a valuable natural resource.

They cite the ecological benefit of reduced forest fires, smoke pollution and better forest management. They offer a couple of alternate uses of paper waste that results in the ultimate disposal of the solid cellulose waste:

1. Bio-degradation; and
2. Combustion.

Bio-degradation is nature's process by bacteria in the soil, water or animal digestive systems; these methods are slow. Society's utilization of these methods as evidenced by sewage treatment plants, composting, land fill garbage disposal, and digestive systems of animals. As far back as 1964, Dr. Meyer, the present chancellor at U.C. Davis conducted studies on utilization of paperboard as an animal feed supplement and maintained animals on maintenance diets using the paperboard supplements. Weyerhaeuser Timber Company is running experiments using waste paperboard as cattle feed and indicates that it is converted to energy for use by the cow in about three days.

Combustion or rapid oxidation involves burning of the product. Society will need the energy that can be produced by burning paper and other burnable waste materials, particularly those made from renewable resources such as wood. Con-

siderable developmental effort is needed to dry the material so the maximum energy potential is available and to develop improved firing methods that will reduce air pollution. The energy should be used to make electricity, steam or other usable energy products, not wasted away, as is now done at some waste disposal sites. Two giant incinerators utilizing solid waste as a fuel are in action at the present time, one near Paris, France and the other in Montreal, Canada. The first produces electricity used throughout France and the second produces steam to be sold to manufacturers to use in their manufacturing process. Municipal garbage is a reasonably good fuel having about one-third the heating energy of coal, one of our non-renewable fossil fuels.

I have cited several views on what constitutes utilization and disposition of solid paper waste. Arguments on utilization versus disposition will go on for a long time for this and other recyclable items with marginal economic value. We have a problem: Solid waste material is being collected at an accelerated rate without a market or manufacturing capability to utilize the collected products or satisfactory disposal method for the waste we cannot recycle. Additionally, for many recyclable products the resulting product does not compare in quality with the same product made from "all new material." In many instances the resulting remanufactured product costs more money.

For many years solid waste commodities have been and are continuing to be collected. Most of the recycling has been commodities collected because of their intrinsic value such as iron, tin, lead, silver, et cetera.

Many of your schools collect and re-sell scrap metal. Many in our group have to find markets for these products. Oftentimes we have difficulty finding this market for our waste products. Have we ever considered that if we expect to sell solid waste products created as a by-product in the operation of our institutions we must also consider utilization of someone else's solid waste product as our raw material.

We cannot all be sellers, however, we must all be concerned about the environment and ecology. Separation is a key factor to the problem of what is referred to as the three R's, "reclaiming, recycling, and re-using." All the literature I have read indicates the major problem and cost, about 80 per cent, is in collecting and segregating of post-consumer wastes.

Separating the wastes inexpensively and conveniently is one of the major economic considerations in industry's decision to recycle or use new material. Recycling may have no value if its only benefit is waste disposal. Waste material must compete effectively in the marketplace if they are to be the raw material for industry.

I have cited the problems and the challenge. What can we purchasing officers do — should we be concerned? I think we should. We should take the lead in a program within our own organizations keyed to encourage the maximum use of recycled materials. We must also consider the ultimate disposal of the product after its usefulness in the recycle process has been reached.

Economics plays an important part in our buying to protect the environment. On the East Coast there is an acute waste disposal problem. I am told there is also the manufacturing capability to recycle and remanufacture certain plastic food and beverage containers. This capability exists because there are large metropolitan areas in close proximity to each other. Within the metropolitan area are centralized feeding establishments that have the capability to separate and compact the used plastic containers and return it economically to the manufacturer after use. This

in turn creates a steady source of "raw material" to remanufacture food and beverage containers. On the East Coast a decision to purchase and recycle plastic food and beverage containers instead of purchasing paper containers meets our criteria of buying to protect the ecology.

Now let's look at a less densely populated part of the country. A steady supply of recyclable plastic is not available in sufficient quantity to interest a manufacturer to "invest" in a plant. Transportation costs are high because of distance and the principal method of disposal is a land fill operation. As the plastic cup is not biodegradable many institutions specify paper food and beverage containers (a biodegradable product) be used in their food service facilities. A decision to buy paper food and beverage containers and disposition is a land fill disposal site also meets our criteria of buying to protect the ecology.

Maybe we need reconsider quality. Why do we insist on a certain quality standard for the products we buy? If it's paper, can we use and will we accept and sell our colleagues on using a less white or bright sheet. If so, maybe we can substitute a product high in recycle fiber. We should consider the ecological effects of the products we buy. We need to know what's in the product. Is it going to create an ecological problem when we dispose of it? Can we keep it from becoming solid waste by reintroducing it into the system as a raw material?

The biggest deterrent to finding solutions to the environmental problems is public apathy. Each of us through our public information officers, personal contacts, local service clubs should advertise the fact that we are doing something about the environment. That the decision to buy includes criteria for protecting the environment. That we are concerned about purchase, utilization, recycling, and ultimate disposition of the products we use.

Solutions to many of the environmental problems starts at home by doing the little things that contribute in their small way to protecting our ecology.

Moderator Lopez: Thank you very much. John, we help write specifications many times for things that our institutions purchase. I should know more, but you mentioned 6-2-4 insultation. I have no idea what that means. But that may be a guide when I'm on a building committee, or when I meet with people who are planning buildings. When we're meeting with different committees on this type of thing, to guide them in this direction; maybe this is a small start, but is there a guide that the Sierra Club has; are there things that we can do?

Mr. Zierold: We don't have a complete guide. We have a National Energy Committee that has been working on means by which we can abate the demand for energy, and one of the systems, of course, would be better insulation. It's six inches in the ceiling, four in the wall, and two in the floor.

We're also trying to come up with some research on appliances, or any equipment that is energy consumptive. It's our view that it's necessary to establish in the Bureau of Standards in Washington and at state levels, criteria for examining and grading the efficiency of all these devices so that in the long term, say over a five-year period, we would require of the manufacturer that his appliances or his particular product meet standards of efficiency in the same way that the Muskie bill required that the internal combustion engine be 90 per cent free of pollutants by 1975; now unfortunately extended to 1976.

I don't know whether anyone could simply come up with a wish list for how this ought to be worked and turn it over to industry and expect compliance. I think it is clearly true that the cost of doing business under these circumstances is too

high, and that no industry can be expected to comply voluntarily if it feels it will put them out of business.

I think we need to collect our best scientific expertise and put them to work on this and come up with the hard incontestable evidence which then could be written into law; in the same way we write laws on air pollution and on the internal combustion engine.

We have to look at the building codes in every state and say these are the means by which we must now construct our new buildings in order to conserve energy. And I might add, to fight noise pollution. In many of the schools here in this state, which are situated next to freeways, they are all but uninhabitable. It is extremely difficult for the teachers to be able to communicate with students because of the noise levels. There again because insultation standards were inadequate.

All of these must be determined by appropriately applied research. We have our best scientists among the membership of the club at work on it now. Our new President, Lawrence Moss from Washington, D.C., is a member of the National Science Foundation and he has specifically charged our Energy Commission with stepping up work within this field. So we would hope that within perhaps a year's time we'll have greater specifics than we do now.

Mr. Ken Weydert: University of California-Los Angeles. Do you see any answers to the problems of the anti-pollution control devices on vehicles which cause an additional fuel requirement?

Mr. Zierold: Well, I think so. Very probably we'll be faced with one of several alternatives. Gasoline rationing is one; or a requirement that we limit the size of the internal combustion engine. The solutions we have at the present time on smog control devices are clearly inadequate, because they are leading to greater gasoline consumption.

Mr. James F. Simon: Northern Illinois University. What about two other alternatives? One is the rotary engine, and the other is some kind of requirement for keeping cars tuned up; and forget the emission control devices?

Mr. Zierold: Personally I don't know whether the Wankel engine is going to prove out. I noticed in the Wall Street Journal yesterday or the day before there are now reports that it's not really as efficient as they earlier thought. There's perhaps a 15 or 20 per cent degree of difficulty with it. This may have come out of Detroit and not Japan, I'm not sure. What I do think is necessary is to rethink completely our concepts of transportation. What we are doing in our planning and in writing the laws that are the consequence of our planning is simply extrapolating from existing perspectives on transportation policy. I think that must be changed. We've got to break the highway trust and take the money and put it into mass transit and reduce the reliance on the automobile. We're tinkering if we talk about changing over to a Wankel engine or catalytic devices; or blow-by devices. That's only temporary. The long-term solution very clearly is to reduce the reliance on the car, and get mass transit built.

I don't think we have to ride through the streets saying that the world is going to come to an end tomorrow. But, on the other hand, we must understand that man is the first creature in this history of all life who consciously is able to intervene in the biological process. He also, we feel, is a moral creature; and as such he must have some concept of legacy. That to me is the most important of all. What responsibility do we have to those who are going to follow, if we really are rational, moral creatures? If we pursue any kind of ethic at all, it seems to me it should be governed

by a concept of legacy, a responsibility to leave the world better than we found it. And the chances of doing that are certainly diminished if we make what I call the imprudent bet, to assume that perhaps over a period of time this is not a critical danger. It may not be. But no one has come up yet with the evidence that can assure us there is no longer threat. Our people feel there is.

Mr. Weydert: Mr. Pleau said that you would respond to the ideas of Weyerhaeuser about combustion and biodegradability as alternatives to recycling paper. Would you do that?

Mr. Zierold: Well, it's difficult for me to respond specifically to Weyerhaeuser, because they are essentially in Washington and in Canada.

I do know that in California we do not grow more than we cut. It is the reverse. That is not my opinion, but can be found in the Oswald Report published by the U.S. Forest Service in 1971, which sets forth very clearly that cut exceeds yield by a hundred per cent, including our capacity to regrow. I might also point out that companies like Weyerhaeuser, I do not have their export figures available, but companies like Weyerhaeuser are exporting logs to Japan. In California, for example, we export redwood logs to Japan. We cut them on private land, we export them to Japan because at the present time the export law has no constraints. Then the timber companies go to the federal government and ask for two things: An increase in timber sales, and an increase in the allowable cut on the public lands, the lands owned by the U.S. Forest Service.

The economic consequences of that are very clear. Redwood logs from April, 1972 to March, 1973 went up a hundred per cent. It's a problem. In Washington, for example, the Japanese had a very great interest in Port Orford cedar. I don't know whether Weyerhaeuser supports it or not, but I do know before the Japanese came in the price was $37 a hundred board feet; today it's $238. Now, this is because there is a permissive policy on exporting. The timber companies argue that this is a good thing for the balance of payments. We find in the Western United States that we exported four billion board feet of timber to Japan, and we imported eight billion from Canada. Now, by that kind of salubrious effect on the balance of payments we're not going to last very long. So the timber industry, while it tells you that all of its people and policy makers just smell of pine cones and are really interested in the environment, have a great deal to answer for. I'm not saying this specifically about Weyerhaeuser and its ideas of forest management because they operate primarily in Washington and elsewhere. When they refer to taking timber, they're talking about the overripe or the overmature tree. Now, you can get all manner of foresters to argue about the wisdom of this.

I just came back a couple months ago from an exhaustive study in Norway, where you do have a selective system of cutting, of taking trees at a point in time when there will be a decline. They practice true sustained yield forestry. They grow more than they cut, and they are in a position to cut even more. But the reverse is true in the United States. Now, naturally some trees should be cut, if you're going to a selective logging system.

Mr. Weydert: Doesn't Weyerhaeuser's operation cover the entire United States, their entire U.S. operation, for instance, in Oregon, doesn't it balance out; Washington, Oregon and California? Or are they telling us untruths generally?

Mr. Zierold: I can't speak for Oregon and Washington. It would be difficult for me because I don't have access to the federal figures. I really attempt to use only that information which is compiled by theoretically impartial departments of government, and the Oswald Report is an official report. It deals with California and it

states unequivocally that we're exceeding our growth by a hundred per cent. The timber industries argue that this doesn't take into account the reforestation programs that have already been undertaken; but there's no way of knowing whether or not those really are successful.

For example, we think it's necessary to have strong restocking standards written into the law, that a tree should be in the ground for at least three years before it's counted as part of restocking. And the timber industries don't want that in the legislation. Now, if they were really doing this kind of thing, there would be no objection to stating in the law something that is an existing management practice. So there is reasonable room for doubt as to whether or not the timber industries are acting in the public interest to the extent they say they are. When they say management, I think it's well for you to understand they mean intensified cutting; and I say there is truly a crisis of management, but not of the kind they say.

Our crisis is we have failed to require the timber operators to reforest our timber resources properly. And I say, "our," because much of the economy of this country depends on wise policy, that is not something that depends entirely on Weyerhaeuser. It belongs to all of us really.

Mr. Pleau: I would like to make one point. I got the impression I was taking the point of Weyerhaeuser, which isn't true. What I was trying to do was to cite to you people what two sides of the argument is as I see it, and as it relates to us.

And Weyerhaeuser and Mr. MacClinton happens to be one of the people from whom I have had information flow, to get their viewpoint, and I don't necessarily agree with it.

Mr. F. E. McGraw, Central Michigan University: At one point in your discussion I think you were posing an ideal solution would be for the great minds of our country to get together, figure the problem out and then legislate a solution. Coming from an academic community, like the rest of us here, I've been exposed to that kind of a solution. I'd like for you to elaborate. Because there are a lot of things in that statement if I heard it correctly that all of us would be opposed to. This is a democracy, and perhaps you would continue on that or withdraw the statement.

Mr. Zierold: Well, I certainly have no intention of withdrawing it. Maybe I can put it more felicitously. Let me say this: When I talk about expertise, I don't know whether I used expertise control of government or not; and I think perhaps control is a word one ought to use with great care. And I'm not talking about supertechnocrats. What I am saying is it is really time for government to examine carefully all of these issues on a purely scientific basis. For example, I don't think it's wise any longer to allow this irrational system of dynamics to continue in government to the extent that it has.

I don't think, for example, that it is wise any longer to have as we had in California a State Board of Forestry composed of representatives of the timber industry. As a matter of fact, we had to go to court to get it declared unconstitutional. What we want as a substitute for that is input on the legislative process from the best scientific expertise available to us. It doesn't mean they write the law; but we're tired of the Blue Ribbon Commission. It's nothing more than a heat shield.

I do not think it is proper in government for anyone who has an interest in the timberlands of this country to sit on the State Board of Forestry and make the rules on logging, on erosion control, on watershed management, and on reforestation. In each of these areas which seriously affect the quality of life and ultimately survival, it is necessary to find the best minds in this country and give them the

charge of making specific recommendations as to what we should do in order to solve problems of environmental pollution, including solid waste disposal. That's really what I mean to say; perhaps I didn't say it properly. But I don't think I want to turn it over to a supertechnocrat. That wasn't the idea. Nothing that would interfere with the existing process of representative government.

Mr. McGraw: Do you feel the problem right now is so severe it's going completely out of the hands of the consumer? Are we past that point?

Mr. Zierold: I'm not really sure. I think in one sense we are. For example, if you take consumer interest and define it as getting a product for the most reasonable cost, then I would say yes. I don't think the consumer in that sense can be protected. The consumer is going to have to pay more for what he gets.

Mr. McGraw: Is it past giving him any consideration? Could he be a member of this Blue Ribbon scientific panel?

Mr. Zierold: Well, certainly consumer groups should be represented, as all groups are. Industry should be represented, the environmental movement should, the consumer movement should obviously in whatever we seek to establish here as a Blue Ribbon scientific study group. I think we have to apply to the matter of environmental control and ethical principle that exists in other fields. Your freedom to do as you please necessarily must end where my freedom begins.

Let's say, for example, that I'm susceptible to emphysema and I live in Los Angeles and the worse the air pollution gets, the greater my disability. Now, if it's in the interests of a certain number of people to see more freeways built and a continued reliance on the automobile, it is also I think, you would have to admit, not in the interests of those people who suffer from certain pulmonary diseases. They also are deserving of protection from their government and from those people who conduct human affairs at the city, county and state and national level. At some point in time — and this is the whole purpose of government — these interests must be balanced, and these conflicts must be resolved. When I spoke of the individual and about voluntary compliance and the myth of voluntary compliance, What I really meant to say was that no longer can we rely on the individual acting properly in the hope that somehow the sum total of all this, the aggregate of this voluntary compliance will give us the sumum bonum in government and in life. It isn't going to happen.

Mr. Simon: We're beginning to see in advertising some influence by government to try to balance the self-serving claims of those who have a product to sell which may be harmful to consumers. If there were some way to bring to more consumers the consequences of wanting the 20-mile-per-gallon car at $2,000 versus the 10-mile-per-gallon at $3,000, conceivably in some utopian era a hundred years from now we might get more people to want to buy four-cylinder cars; but it's such a slow process and time is so short I suppose that's a forlorn hope.

Mr. Zierlod: I'm afraid I share your pessimism, although I think we could take some immediate steps. Let's say, for example, that we take all the money available for driver education and make the teaching of that information the first priority; that before any student could get behind the wheel he'd have to have "X" number of hours of instruction in the benefits of buying an automobile, let's say, only four cylinders rather than six or eight. And explain to him the impact the automobile has on stock resources, which is to say the non-renewable resources. Now, I don't know about the other states, but California has about $20 million a year; it comes from our penalty assessment fund. Those revenues from traffic tickets for moving and stationary violations. It is also a program assisted with great enthusiasm by

the automobile manufacturers and the automobile dealers who furnish the cars for all of this. So I think we might make a step there more quickly than might otherwise be thought.

Mr. Richard D. Struthers, Governors State University: You've asked this organization to take an active part in this. What is the Sierra Club prepared to do to assist this organization?

Mr. Zierold: Well, I'm one of the people involved very closely with environmental education. I served on the Kettering Foundation ad hoc group. I personally would be more than pleased to assist in bringing you together with the best people we have available through the Sierra Club Foundation. I would hope that we could get a grant either from the federal government or from national philanthropy to our foundation, which is an eligible recipient, and work with your organization. Maybe we could submit a proposal jointly, one that is mutually agreeable in terms of goals. Then get our people together and write the research design, conceptualize that research design and carry it out over a period of time agreed upon as being necessary; and that these findings would then be made available to all the academic institutions represented in your Association. Submit it to the executive branches of government at every level in the country.

Mr. Struthers: What type of research did you have in mind?

Mr. Zierold: Well, applied research which will show us specifically — and I'm certain we can find the quanta for this — the amount by which we can reduce the consumption of electrical energy for heating and cooling; the extent to which we could preserve our national forests; the extent to which we could have a better land use policy on solid waste management. For every environmental insult we could offer a mitigation. Now, I think that that is quantifiable; and the economic benefits that could accrue and, of course, clearly the kinds of economic incentives that are necessary for industry in order to get them into things like recycling a paper and pyrolysis, which they've had in Paris for 50 years incidentally. They've been burning solid waste and producing electrical energy for 50 years. We have the resources and would like to work with you. Write me, the Sierra Club Foundation.

If it is the pleasure of your board of directors in submitting a proposal to the Department of Health, Education and Welfare, or to any of the organizations which have the resources to fund this study, then I would like to bring together our people and your people and draw up a request, and I think probably since you and I are so close together, if you're a member of this organization, that we could work on it informally until such time as a formal action was taken by this body. I think it's a very good idea. You know, the time to do it is now.

Moderator Lopez: John, what I suggest then is would you get in touch with Neil Markee, who is our Executive Vice-President, outlining in letter form what you have in mind doing and see, then we can take it another step.

Is the United Nations doing something world wide to work in this direction, is there something going on there?

Mr. Zierold: Yes, the beginnings are there. The Sierra Club, incidentally, is accredited to the United Nations. We have an office in the United Nations Plaza. We are working with other countries. Our immediate Past President, Judge Sherwin, went on the Nixon delegation to the Soviet Union immediately following the Stockholm conference to set up exchanges of ideas with scientists in that country. We have many interesting parallels. Lake Baikal in the Soviet Union has many of the putrefaction problems we have at Lake Tahoe.

The information is being exchanged slowly but surely, and if we can have that

at the micro level, and the mesoscale and the macroscale, ultimately in time we'll find solutions. I can't think of a better place to begin than in the academic community, no better place to set the good example and keep the pressure on. Maybe ten years from now we'll get it.

Moderator Lopez: It may be a little difficult for us when you're located in the wide-open spaces to be concerned about air pollution and things like that, but when you're in an urban area like I am in New York, you start to realize that maybe you've got a problem; and the solution is not to move out of the New York area to some place in the wide-open spaces, because it will follow you and eventually get there.

Gentlemen, I thank you very much.

GENERAL SESSION

WEDNESDAY AFTERNOON, MAY 9, 1973

President Peterson presiding . . .

President Peterson: Ladies and Gentlemen:

I call to order the 52nd Annual Business Meeting of the National Association of Educational Buyers.

Would you please arise and observe a moment of silence for those who have departed during the past year.

President Peterson: Thank you.

You may know that John Pond, William Jewell College, and a former President and Treasurer of NAEB, passed away during the year. Also Devaughn Pratt, the former Regional Adviser of the E&I Co-op, from the University of Kentucky, has passed away. There may have been many others. We appreciate your observance.

It has been an interesting opportunity and a privilege for me to serve on the NAEB Executive Board and to be your president for this past year. Among the benefits I have enjoyed has been the opportunity to attend and participate in your regional group meetings. I have become better acquainted with you and your surroundings. Reports from the Executive Committee indicate that your meetings have been well-planned, and well-attended. I want to express my appreciation to the regional leaders for their fine leadership.

In terms of membership, NAEB and the American Alumni Council are the two largest associations in the college and university field. NAEB's present membership totals 1,527. We are anxious to increase our membership. I would like each member to encourage nonmembers in your group to join the National Association of Educational Buyers. This places the responsibility on our Association to plan worthwhile regional meetings, institutes, and annual meetings, and to provide helpful information in our publications so that others will want to join.

You received a survey sheet when you registered asking you to fill in your choice of date and location for the 1976 Annual Meeting. May was selected by a previous membership survey. Next year we will be going to Miami, in 1975 we will be going to Houston and this survey will help to select the location for the 1976 Annual Meeting.

We from the West enjoy going to the East for our meetings, but we are happy for you to come West on occasion. We hope that you have enjoyed your stay and accommodations in Las Vegas.

Wally Rogers of the Executive Committee was asked to revise and update our Constitution and By-laws. He certainly has done a commendable job. It took a lot of time and a lot of rewriting. The new versions were presented to the Executive Committee and have been approved. You have received a copy of it with a recent bulletin and have a chance to vote on it. Read it carefully and become acquainted with it. If you haven't already sent in your vote, please do so.

NACUBO asked NAEB to revise and update a chapter on purchasing in their manual. This has been done by a committee consisting of Wally Rogers, Chairman, Gene Ingram and Dennis Mongovan. I thank them for this fine service.

Many good comments have been received regarding the new look and content of the Bulletin. May I encourage you to send your suggestions for the Bulletin to Neil Markee. We would like to use it for the benefit of all.

We appreciate the close relationship that NAEB has with the E&I Co-op. We share the same office building in Westbury, New York. We share many of the same lists, facilities, computer, and other equipment. There are many advantages realized by being together. We both have essentially the same membership and both work together for you. To improve communications between NAEB and the E&I Co-op, both boards of directors have agreed to assign one of its members to attend all regularly called meetings of the other board.

I want to thank all who have participated in any way in making this Annual Meeting a success. I feel that Neil Markee has done a great job in his first year as Executive Secretary. He is capable, energetic, creative, well-known, and NAEB is fortunate in having him as its Executive Secretary.

I would now like to turn a few minutes over to Neil for his remarks.

Mr. Neil D. Markee, Executive Secretary, NAEB: Thank you, Neal.

I would like to take a few minutes here to go over some of what actually goes into a meeting of this sort and thank some of the people that were involved. I would like to thank the Host Committee for working to help make everybody feel comfortable here and attending to the many details that are part of a program of this size. Those of you who have been involved in one of these meetings know that there are many small things that go wrong or don't come off exactly as planned. It is important to have a small group of people around who can put out the fires and pick up pieces where it needs to be done. I would like to thank the Host Committee for that. I would like to thank the moderators for getting the workshops rolling on time and for ending them on time and keeping our program on schedule.

The workshop speakers are entitled to our special thanks for taking all the time that is necessary to prepare for a forty-five-minute or hour-and-a-half session. Workshop leaders frequently tell me that they learn as much in their preparation as the people who hear them do. I would like to thank them publically for helping NAEB serve its members.

Gerald Evans is a member of our Executive Committee and was assigned the responsibility of overseeing the preparation of the program this year. Gerry worked hard at it at long distance sometimes and sometimes in person. He got it all put together and we think it was an outstanding program.

I would like to thank Henry Nelson for preparing all the many signs that we needed to direct people. Henry called me at the last minute and said he wouldn't be able to make it personally. We certainly appreciate all that he did. Having Henry prepare those signs saved the Association several hundred dollars.

I would like to thank my staff for their willingness to work long hours here.

Finally, I would like to thank all of you for coming. I heard a speaker close a

meeting by saying, "The fact that you're here is a credit to you, because it proves that you're interested in the professional development of your profession" and that's the truth. We are working toward that end. We want to make attending these meetings an absolute necessity. I think the way to do it is to have strong programs and support from our members.

Feedback is something I asked for last year when I moved into this seat. I have been getting some but I need more. There is no real way for us to know what your needs are specifically unless you tell us. We need to know whether we are being responsive to your requirements. Take a minute when you get back to your office and jot down your reactions to the meeting, your reflections on what happened, and tell us what you liked and tell us what you didn't like. We are not thin-skinned. We want to listen; we want to know what went wrong from your point of view and what went right. Next year we will react to these comments and we will have a better meeting. Overall, I would like to thank you for coming and for being such a fine audience for all the various speakers.

President Peterson: Thank you, Neil.

As you all know, it was necessary for Fred Vorsanger to return to his school.

Our newly-elected Treasurer, Frank Lopez, Manhattan College in New York, was asked by Fred to give the Treasurer's Report for him.

Mr. Frank P. Lopez, Purchasing & Services, Manhattan College, Bronx, New York: We are operating under a fiscal year basis of July 1, 1972 to June 30, 1973, and it is based on projected budget expenditures and income.

The budget is approximately $125,500. The report we have is based on 75% of the budget year being completed.

We have collected a little over 87% of our projected income. We have spent a little less than 70% of our projected expenses. Generally the association is living within its budget. You will find the complete details of our income and expenses included with the proceedings of this meeting when they are printed after the end of the fiscal year.

President Peterson: Thank you, Frank.

Do I hear a motion that the Treasurer's Report be accepted?

. . . The motion was made by Mr. Burton E. Trouteaud, Sisters of the Sorrowful Mother, Management Services, Inc., seconded by Mr. Gullo, SUNY, and there being no discussion, the motion was put to a voice vote and was carried.

President Peterson: The Treasurer's Report is, therefore, accepted.

I now would like to call for any old business . . . There being none, I would like to thank the Executive Committee with whom I have worked during the past year, and I would like to ask Earl Newland to come to the stand please.

Earl, I present to you this badge of office as President of the National Association of Educational Buyers for the coming year, and the gavel which goes along with it.

For you and for all those with whom you work, good luck for the coming year. (Applause)

. . . Upon the presentation of the gavel, Mr. Earl F. Newland, Director of Purchasing, Baylor University, assumed the chair as the Newly Elected President . . .

President Newland: I don't think we could have had a finer president for the past year then Neal Peterson. Neal Peterson is everything that I think NAEB needs. He served admirably. All of the officers have joined with him in a cooperative spirit. I think Neil Markee has appreciated the maturity and the guidance of Neal

Peterson. You are going to miss some of his humor. He has done such an excellent job that I think we can all stand and give him a rousing ovation of appreciation.

I have a framed scroll to present, it reads:

"National Association of Educational Buyers. This commendation is awarded to Cornelius R. Peterson in appreciation of his devoted service, spirit of unity and progressive leadership as President, 1972-73. Your fellow officers."

Immediate Past President Peterson: Thank you, Earl, and all of you. (Applause)

President Newland: The new look in NAEB that began this year will continue. I have appreciated the feeling of mutual cooperation that has been running all through this meeting. And at this time I would like to introduce to you, the vice presidents of NAEB and ask them to come forward: Gerry Evans, Don Harmer, Wally Rogers, George Morrell, and our new Treasurer, Frank Lopez.

With these gentlemen, I will do the best I can to serve you in the coming year. From the association I have had with this group, I know that they are not thin-skinned, as Neil said. We are receptive. We want NAEB to be worth something to you. I can promise you that we are not going to leave the self-evaluation where it is hanging right now. There will be more said about that and that you will have to come and hear next year. If you have any suggestions that you think would be good for NAEB we would like to hear from you.

Is there any other business that we need to take care of at this time? Be sure to be here in the morning. I think one of the most profitable times can be the problem session. I will hope to see you then.

We stand adjourned. Thank you.

. . . The General Session was then adjourned at 5:20 o'clock, p.m. . . .

WORKSHOP J

LARGE SCHOOLS PROBLEMS CLINIC

THURSDAY MORNING, MAY 10, 1973

. . . Past President Peterson presiding as Moderator . . .

Moderator Peterson: Good morning. It is time to commence the closing workshop of the 52nd Annual Meeting of NAEB.

This is the time when we will discuss specific problems and may be one of the most valuable meetings you have attended during this Annual Meeting. We often have questions that have come up before we have gotten here as well as in our Question Box time. But this is your last chance and a great opportunity to have your questions asked and answered.

We have a man who is very capable of taking care of this meeting. He is Director of Purchasing and Auxiliary Services at the University of Chicago. He was formely with A. T. Corney & Company, Management Consultants.

He is a member of the American Institute of Plant Engineers and has been on a training committee with these people for many years.

I would like to turn the time now over to Bob Heidrich of the University of Chicago.

Mr. Robert K. Heidrich, Dircetor of Purchasing and Auxiliary Services, University of Chicago.

Have any of you any specific things that you would like to bring up, without

discussing them? Just tell me sort of the topical area in which you are interested that you want to bring up.

Mr. Frank E. McGraw, Assistant Director of Purchasing, Central Michigan University: Vendor delivery performance, whether you are satisfied as a group and specific comments, if we have any.

Mr. Heidrich: Anybody else?

Mr. Nealand, Massachusetts Institute of Technology: I would be interested in the matter of "idle equipment, idle property" between departments within the institution, and whether or not anybody has a plan, either with or without transferring funds.

Mr. G. Harry Baumer, III, Director of Purchasing, University of Florida: I would be interested in knowing if anyone has had any experience with a system, using the copying and duplicating machine and an overlay, to convert a requisition into a purchase order. What sort of cost was involved in the system as opposed to the benefits that they derived therefrom?

Mr. Heidrich: You're talking about without rewriting, in other words.

Mr. Baumer: I am talking primarily about just changing the requisition into a purchase order form. There would obviously have to be some changes made further down the line, but they would be of a minor nature.

Mr. Heidrich: Anybody else?

Mrs. Audrey Bonville, Purchasing Agent, University of Wisconsin-Milwaukee: I would like to know if anyone has any information on the use of the disposable products in food services versus the use of hard china and silver. If they have, have they gone to a lesser grade of disposables or do they use a better grade, particularly in the area of utensils, not so much in the plates?

Mr. Herbert Gersbach, Purchasing Agent, Texas A&M University: I wonder to what extent some of the other major schools have been involved in fuel acquisition and what they are doing to meet this particular problem.

Mr. Heidrich: Well, if there aren't any others that you want to bring up, let's just sort of go through them. Let's work with Mr. Gersbach's first about power and heat facilities. Explain a little further what you are trying to get at.

Mr. Gersbach: We're on a curtailable type (and I think most of you are) natural gas contract for our power and heat generating facilities for the University. This past winter we were forced to burn almost three million gallons of fuel oil. This has never happened before, and we are faced with having to burn anywhere from five to six million a year now because of the gas company we are on contract with. I assumed that some of the big universities had faced this before and gotten into this. We haven't and it's a new ball game for us, and we thought maybe we could fall back on somebody else's experience on how they did face this situation.

Mr. Heidrich: I can't really help you at this point because we haven't had that big a problem with it. Somebody else?

Mr. Rogers, Cornell University: We're using No. 6 fuel oil and we're burning about twelve million gallons a year. We converted to oil about three years ago. What we did was to split our requirement down the middle and bid two halves of it, and the first year we awarded the low bidder a two-year contract for half of our requirements and the second low bidder a one-year contract for half our oil requirement. We keep two suppliers at all times and keep one contract going at all times, but we overlap our contracts every year. It has worked out very well. We haven't had any cutbacks or curtailment despite the short supply.

Mr. Elliott, University of Illinois-Urbana: We were on coal, burning quite a num-

ber of tons. The environmental problems came in. Our nearby coal sources which had been very favorable, were running out. We thought we would change (after a very elaborate engineering study) to gas. We were about to go to gas. We weren't interrupted. We never even got turned on. So the question was whether we should go to the 5 or 6 fuel oil or should we go to No. 2. When we started this cycle about three or three and a half years ago, we went to the major oil companies and said, "What should we do?" before we went out for bids. Everybody suggested, "Go to No. 2 if you have a choice at this point. It will be higher priced right now, but in the long run, when you consider you are starting your engineering from scratch, some of the problems with the 5 and 6 oil will be eliminated by using No. 2.

We received four bids from the major oil companies in our area. One company chose to take Section 4 of our bid proposal which said, "If you can't quote a firm price, what else would you suggest within a certain framework?" One company offered a formula arrangement which hasn't been used in the institutional areas, but has been used to a certain extent in big utility areas. They offered a quote for a base unit per gallon delivered, plus an adjustment up or down for a figure that was related to crude oil within a certain area reported by federal agencies on an after-the-fact basis so we would be delayed **x** number of months.

This has worked well until recently when this company came and said, "We think we might have to cancel your contract June 30, 1974."

We have been paying about 2¢ per gallon lower this winter in Urbana for No. 2 fuel oil delivered than some of the Platts Oilogram prices in Chicago. Some of the corporate people don't like that.

I don't know what we're going to do, but we made an agreement with the major oil company to hold off and I might get a letter six months before the cancellation date (which will be Christmas time). They are going to see if they can't do something about it like staying on through the rest of the five-year period. We had three years to go.

Mr. Eugene O. Ingram, Director of Purchases, University of Michigan: We find there is a move by the gas companies to get an uninterruptible and a permanent supply at a much higher price. We are still on interruptible and were off about three weeks last winter. Our alternate supply is fuel oil No. 6. We have had difficulty now in contracting for a supply for next year, as I am sure most of you have. Is anyone using foreign supplied oil?

Mr. Gersbach: If you can find somebody with an import license.

Mr. Robert L. Hardison, Purchasing Agent, University of North Carolina: We converted our furnaces to take either one of three of the fuels, either coal, oil or gas, and then made nonminimum contracts for the fuel, so that when one was out, the other would be in. So we have no trouble now in meeting the fuel supply.

Mr. Heidrich: Vendor delivery performance was mentioned here. Do you want to expand on that so that we get a better idea of what you are looking for in specifics.

Mr. McGraw, Central Michigan University: I am looking for, perhaps initially, a show of hands of people who feel that the departments they work with and themselves are satisfied with the vendor delivery performance, and I would appreciate any comments in this area for measuring this performance or monitoring or controlling it. May we have a show of hands? Has anybody any real problems in this area?

Mr. Haas, Duke University: We have local vendors who call on us go through their files on a recurring basis and pull orders over thirty days old. Then they are supposed to give us feedback and take care of any old orders.

Mr. Heidrich: This certainly has a lot more to do with expediting than it does

with the direct purchasing job. Gene, do you or Don want to respond to that, because our expediters are the ones who know what is going on as far as I know right now.

Mr. Eugene H. Wilkens, University of Chicago: I think by and large every school is going to have problems with delivery at one time or another. No matter how well you plan ahead for delivery of a certain item, you are bound to come across a short supply because, for some reason or another, a lot of schools are ordering the same things. If you talk about capital equipment, I think that is a separate issue unto itself. If the order calls for delivery in six months and it turns out to be seven or eight months, that is a very unique problem that probably causes other big problems. By and large, I think the supply problem may get worse instead of better.

Mr. McGraw: I would like comments if anybody has an evaluation system which they use with delivery performance as a criterion.

Mr. Munk, Utah State University: I used two forms. I have discontinued its use for a couple years now, but it really did have an effect on the suppliers with whom I was dealing. The wording on my form went something like this: "On purchase order," (and I filled in a blank) "you stated delivery would be" (and I would put in there what they had quoted for delivery.) "The final delivery arrived on" (and I would fill in the date). "Therefore, it took" (x) "number of days." I would put this little slip in an envelope and send it to the supplier.

I kept a running total on a log of my own and then from time to time when the vendor's salesmen came in, I would go over this with them. It was amazing how many times I got letters back from them as well as their coming in and explaining the reason for the late delivery.

It showed some good reports. When they would come in lots faster than they had anticipated, I would make a little notation down at the bottom and express my thanks. It had an effect and it was very, very simple.

Mr. Collins, Duke University Medical Center: We negotiate yearly our contract on scientific supplies, laboratory equipment, and so on. As Bill mentioned, we leave it up to the vendor's representative to come in twice a month and go through the files. On anything that is thirty days or older, he makes a note and then reports back. From this, I get a readout from the buyer monthly, stating the performance rate for that month for a particular vendor. Now in doing this, I can use that information the following year when awarding a contract. But we leave it up to them. Each one has a representative who calls on us and it is their responsibility to work with those orders in scientific supplies and lab equipment and not the expediter. He feeds the expediter the information from the files and then I get the readout monthly from the expediter.

Mr. Heidrich: The next one I heard here was the control of idle property shifting between departments, whether you charge for it or don't charge for it, the different possibilities that are available.

I have a warehousing and distribution function which acts as a clearing house for disposed material. The manager goes and looks at what is being discarded. If he thinks it has some value in terms of somebody else being able to use it or if he knows of somebody who is looking for it, he will transfer it beforehand. The only cost is the transfer in terms of the trucking. I don't know whether the function will be continued in the future because my boss has some skeptical attitudes toward it. I think it has performed a tremendous function for us in terms of saving dollars in a very unusual way, because they used to go down the drain or they

were grabbed off by all kinds of people. We don't let people get them any more. I am firmly convinced we have saved a lot of dollars doing it. I can't prove it because in a lot of cases we haven't even kept a record of it because it went directly between the two departments and we didn't record it at the time. We don't have the clerical facility to do it anyway. It has worked effectively. People call us and tell us what they want and we try to match it out.

Mr. Nealand, Massachusetts Institute of Technology: That is just about what we have been doing for a long time in a very informal kind of way. Bob Durland is very much involved. It is done by a kind of word of mouth. People call us and ask for certain things.

We recently had an OSHA investigation. Those fellows spent a month or more with us. What this brought to light was that there was more idle equipment around that people didn't use than was realized. We just had to clear it out. We made a proposal to formalize it a little bit more and to advertise it a little bit more. In our setup, we have an administrative officer for each of our academic departments. They have been a little fearful that unless there was some kind of financial incentive for a professor to give up something that was idle, he wouldn't do it. I got to worrying about what we would be doing. But I wonder if we do need to have that financial incentive. If so, who is going to say what the transfer value is?

Mr. Heidrich: How many of you do this kind of thing at all? (Many hands raised) Everybody is doing it. Right? Informally? Does anybody have a structure that they want to talk about?

Mr. Haas: We had a capital assets program which is now called plant accounting where we have all of our capital equipment costing over $100 with a useful life of over one year on record, and we depreciate this equipment every year the same as industry does. Right now, almost everything is transferred between departments, and it is done at no charge. But there are certain pieces of equipment which are expensive, where one department will gain the use of this equipment but will have to pay for it. However, they will pay for it on book value, the depreciated value, at the time.

We think that probably we are going to go to transfers at book value to get some of this equipment out of a system which is just setting under a bench and collecting dust. We have an idea that a lot of this equipment will be released if somebody can gain some financial benefit from it. The only problem that we see is the possibility of running into grant problems where we may have to go back and get permission from the grantee to transfer this equipment. We don't know what they are going to ask for, and so on. But we do have a real formal, structured program.

Mr. Nealand: Is that a written program?

Mr. Haas: Yes. We have a policy on this.

Mr. Nealand: Drop me a note, will you?

Mr. Haas: Okay.

Mr. Heidrich: Is anybody nervous about the fact that the equipment originally was appropriated from university funds and you are going to return the money to them for that? That is the biggest hangup I have bumped up against any time I start talking about charging anybody back.

Mr. Haas: Well, we have coordinated this with the accounting department and we don't really see a problem at all. And over the last four years we have been keeping real formal records on this. I think we have recycled something like almost half a million dollars. We have sold outside, things we no longer had any use for,

something over $100,000 in cash. We have donated to the local community and various colleges in North Carolina something in excess of $70,000.

Mr. Walter C. Densmore, Jr., Purchasing Manager, University of Alabama: We are forbidden by state law to trade in equipment when we buy it new. If they are getting rid of an old piece of equipment and replacing it with a new piece of equipment, they can sell it internally and apply the money toward the purchase. If they are not buying a new piece of equipment to replace what they are getting rid of, if the equipment is surplus, we put it into what is called "Overhead." This money is requested at the end of each fiscal year by the departments that need extra expenditures, and so forth. We also sell surplus property, property that is turned over to our department. We have surplus property under our control. We sell that through public bids like we buy things. We run an ad and publicize it, and we put that money into overhead and it goes back to the departments on a request basis.

Mr. Donaldson, Texas A&M: Our administration has the same attitude that yours does, Bob. The department must show income from the trade or sales as surplus in their budget and they may get the funds. If they don't, the funds with any of the sales surplus go into the general account.

Mr. Heidrich: Do you mean it is used as an offset against the budget?

Mr. Donaldson: Yes. It must show in their departmental budget. If they handle it in any other way, they can't get credit.

Mr. Heidrich: Then they don't really get credit for it, do they? That's what they're looking for. That's the problem.

Mr. Crowley, Pennsylvania State University: We do it pretty similarly to the way Haas is doing it. We have a salvage department, and at the University the policy is that no one can dispose of or give away to ourselves or to anyone what they consider surplus. It must be turned over to this department. However, we do have a credit arrangement so that when this material is disposed of, regardless of how it is disposed of, and we sell it to other departments, we skim off 25% of whatever was sold to cover the cost of handling it, trucking it, delivering it, and so forth. For instance, if someone turned in a desk to us and we sold that for $50 to another department, then we would take 25% and 75% goes to the department. However, we go one step further. If we cannot sell it to another department, if its condition is such that no one else wants it, we still can't throw it away and we cannot give it to local agencies. So we have to have a public auction. We are using a public auction two or three times a year to dispose of all the surplus property. A professional auctioneer comes in and, again, the same formula is applied: whatever he gets for that desk, we take 25% and the department gets 75%.

Mr. Mongoven, Wayne State University: We have a policy as far as the credit is concerned that wherever credit is generated, whether it is surplus or transferred or sold to the outside or transferred to another state institution or university, the first $100 goes to the department which is the incentive for good housekeeping and keeping the property moving. Anything over $100 are transactions that I have to report to the budget finance committee and they write then for justification and then that is tied in with their budget.

Mr. W. E. Burget, Director of Purchasing & Stores, Purdue University: We instituted a procedure a year ago to try to move some of this equipment, but we haven't been successful. While I listen to all of you, it still seems to me that we've still got it in the rafters and we've got it in the basement and everywhere else and no one is letting us pull it out, and it is expensive to pull it out because it

takes a little time and then you can't move it. There's a lot of it around. Isn't this the general feeling that you have too?

Mr. Heidrich: I'm going to stop you for a minute. I think Bill is the only one who said that they have been able to move anything. I have the same feeling Wilbur does about the whole process. Some of you may have some specifics, but in every case you've got administrative backing for this thing. Right?

Mr. Haas: Right.

Mr. Heidrich: From the top down.

Mr. Haas: Right.

Mr. Heidrich: You know, we talk about a lot of problems that have to be solved at a different level than we are talking about, as far as I am concerned. Dick, do you want to say something in response to that?

Mr. Crowley: We leave it in the system for a certain period of time and if it doesn't move, we junk it.

Mr. Heidrich: That's another problem. I think what he is talking about is that it is still out in the woodwork somewhere.

Mr. Bennett, University of Nebraska-Lincoln: We have enjoyed good administrative backing for a number of years and have a pretty fair system in connection with the inventory department. My inventory manager (which is one of my divisions) handles the acquisition of surplus property, federal excess, and the disposal and reassignment of university surplus property. There is no departmentally owned property as such. It is all university property and subject to reassignment if the original assignee no longer has need for it. The inventory people are patrolling all the time and he is also maintaining a want list on this side and an unload list on the other side. We reassign several thousand pieces of equipment each year. We pick up and deliver. In the case of equipment which is initially acquired from budget accounts, this is reassigned and reassigned within the institution until it just completely wears out and then we sell it at auction. The bulk of our equipment comes in from self-supporting accounts or grants. If we have a grant account piece of equipment that is legal to reassign and is going to an area that has some dollars, there can be a bit of financial incentive to the give-up department. Since this is partially a horse-trading deal, we can serve as arbitrator. However, where we really pick up a great deal is in our setup for moving departments around. We are also the people who move departments into new buildings, into remodeled buildings or move the departments around. Right here is where you really get the treasury controls because the same guy who is working with the move is also the inventory gentleman saying, "Hey, what do you need this for in your new location?"

The administration came up with a real good item last year, widely publicized from on top, called "Clean House Day." Through the word going out from the Deans Council as well as by direct mailing, all departments were encouraged to clean out their closets, attics and what not and on a certain day just shove it out in the corridor. We had several of our own trucks and crews running through the building. We picked up truckloads of stuff which we screened while it was still on the truck. We got about two truckloads of reassignable stuff and the rest was just written off and sent out to the dump. Everybody had a lot of fun with this "Clean House Day," and it is something you might be able to sell and some of you might be able to pick up some junk and free a lot of space.

Mr. Nealand: There is just one thing I would like to say. I appreciate this very, very much, because right at this point we have been going from the problem to

administrative background of support. In this kind of program, it would be most helpful.

Mr. Heidrich: The next thing I have here is converting the requisition into a purchase order. I think that is an interesting comment. Do you want to explain it again so that it is clear?

Mr. Baumer, University of Florida: Xerox has made this approach to the University. They have a management consultant team that comes down and takes a look at what you're doing. We have two different types of forms. They want to consolidate these forms, make them the same size, insert purchasing on an overlay over the requisition. Then when we get it in, either by using prenumbered sheets or one of these machines that cranks out the numbers in sequence, we can put the numbers on there and make it a purchase order.

Mr. Heidrich: Is it clear to all of you?

Mr. Baumer: My question is this: What is this type of system really going to cost us? Is there a simpler way of doing it, perhaps just having the same type of form and making use of a regular printed form which perhaps we could change in the house without going through a copy process such as Xerox? Could we save some money by picking up this idea? Is there anyone who is currently using such a program?

Mr. Heidrich: Let me ask you one more question. Is your requisition now typed when you receive it?

Mr. Baumer: Yes, it is typed up.

Mr. Murphy, University of California: We have been using this system for about four years now and have carried it one step further than what you are talking about. Our requisition, our request for quotation and our purchase order are all on the same format. We use the Xerox overlay to generate our request for quotation where necessary. We also use the same form to generate the purchase order when that is ready to go. About 40% of my orders are generated by the overlay method. We were fortunate in that we didn't have to change very much because many of us are using mechanized systems to generate purchase orders. So it didn't require a great deal of change to convert. One problem that we did have to overcome was getting people to leave all the excess junk off the requisition. Otherwise, you have to white out about half of it. It took us about six months or a year to train our people to do this. We have been using it successfully for almost four years now.

Mr. Baumer: Would these be the people within your department that you are referring to or the requisitioning department?

Mr. Murphy: The requisitioners.

Mr. Heidrich: You obviously went through some standardization with the departments about nomenclature at the same time.

Mr. Murphy: Yes.

Mr. Heidrich: How did you facilitate that?

Mr. Murphy: By largely working with the buyers and the departments. I have buyers assigned to each department or a group of departments to each buyer. It was a matter of education and communication.

Mr. Heidrich: You used no physical means, catalogue or product coding or anything like that?

Mr. Murphy: No, we did not. We are just now at the point where we are coming up with a universal commodity code that we think will help us to standardize.

Mr. Baumer: In going to this overlay, are you confining it primarily? Those are the items of very low dollar amounts that you wouldn't ordinarily price-quote.

Mr. Murphy: Not necessarily, although I must admit that probably 75% of ours are below $2,500.

Mr. Baumer: Did you start out by going through and using this with perhaps just one department that had many types of purchases to see what sort of experience factor you had with them before you went with the whole university?

Mr. Murphy: Yes. We went on about a three-month trial period with about five or six departments that were interested in helping us out. We worked the bugs out that way. Then at the end of the three-month period, we went with it throughout the whole system. You have to be selective. The buyer has to decide at some point whether the requisition is the type that will lend itself to this kind of routine. It is left to their discretion as to whether or not they use the Xerox overlay.

Mr. Baumer: What about your numbering system?

Mr. Murphy: Well, we're part of the state system, but we do not use prenumbered forms.

Mr. Baumer: Do you use a numbering machine?

Mr. Murphy: We use a numbering machine when the requisition hits our office. The requisition number, quotation number and the purchase order number are identical.

Mr. Baumer: All three are the same.

Mr. Murphy: All three are the same.

Mr. Baumer: And that gives a feedback right away, of course, to the issuing department to crank them in on what their number is.

Mr. Murphy: Yes. As a matter of fact, we are on a computerized system so that the day the requisition hits our office, it is numbered and a copy goes back to the department.

Mr. Baumer: Do the departments have a terminal?

Mr. Murphy: Not as yet. We hope to be on that in a short time.

Mr. Heidrich: Do any of the rest of you have any reaction to it or any other things of general interest to us?

Mr. Rogers, Cornell University: We got quite excited about that technique, and then we looked at the number of changes we had on the requisition. About three-quarters of our requisitions coming through would require no changes other than possibly cash terms and shipping terms. So we abandoned that idea and we went to a multi-part requisition one copy of which becomes our purchase order. We use a six-part snapout and insert the additional information. We have to retype about one-quarter of our orders. We think that is a lot cheaper and faster than going to the Xerox system of overlays and white-outs, and what have you.

Mrs. Bonville, University of Wisconsin-Milwaukee: You spoke of 40% of them being released in this manner. How do you handle the other 60%?

Mr. Murphy: About 30% are what we call telephone orders and there is no copy generated other than the internal copies and we use the requisition for that. The other 30% are larger orders and require terms and conditions that have to be typed.

Mr. Heidrich: Audrey asked us about disposable products in food service versus china and primarily in the utensil area. Does anybody have a reaction to it?

Mr. Elliott, University of Illinois-Urbana: We have a balance between china and disposable plates. We have gone through a series of studies to get an adequate plastic spoon, knife, fork, etc., for example. Also we have found that by going to a rather average type of stainless steelware and not using as much disposable,

the students seem to be happy and the managers of the food service are reasonably happy.

Mr. Donaldson, Texas A&M: We have a student committee that meets with our food service directors, and some seven or eight years ago, one of the things they considered was plastic utensils. Maybe these are better today than they were then, but at that time the students' opinion was unanimous against them. So we didn't adopt them.

Mr. Heidrich: Does that answer your question?

Mrs. Bonville: Yes. But from those people who are using it, I would like to know if they have gone to the least expensive grade or if they had to go to the middle line or the best line of plastics.

Mr. Elliott: The middle.

Mr. Heidrich: I might be able to give you some additional information. I am in the process of evaluating a food service contract which involves both silent service and china service by an outside contractor. The costs are not only attached to the equipment, they are attached to the fact that you are going to eliminate some dishwashers if you are going to save money. You have to make the labor savings.

Mrs. Bonville: This replacement factor is something that enters into it too. It depends on your circumstances. I am talking about graduate students. We do not have a big loss factor there. It may be unusual, but we don't.

Mr. Murphy: Do you consider your disposal problem costs in this, in evaluating that system?

Mr. Heidrich: I am sure you have to but we never saw the effect. It's a hard thing to isolate. I don't know whether in a lot of cases they will ever pick it up. It depends upon the magnitude of the problem.

Mr. Densmore, University of Alabama: I would like to hear something about the bookstores and purchasing through the bookstore. I am responsible for both areas now, especially in the area of office supplies.

Mr. Heidrich: You hit my pet peeve and Charlie's pet peeve and a couple others. I had the bookstore reporting to me up until last summer. It no longer does for a number of reasons.

We buy office equipment through the bookstore now. We buy it there because on those items which we franchise through the bookstore as a retail outlet, we get a better price than we can get in any other way. We know that. There are certain lines (and Gene has a list of them if you are interested) that the bookstore can't do anything about. They can't make any money on them and they can't do the University any good on them. The bookstore would handle it at no markup.

Mr. C. L. Longwell, Director of Purchasing/Auxiliary Services, Northwestern University: Is that office equipment?

Mr. Heidrich: I am talking about office equipment.

Mr. Longwell: What kinds are those?

Mr. Heidrich: Any kind of what we consider office equipment. I can't think of anything that is exempted from what we normally consider office equipment.

Mr. Longwell: Does it include office machines?

Mr. Heidrich: Yes, it includes office machines and everything. Yours is the best system as far as I am concerned. But he is talking about an interface between the bookstore and purchasing. If you want to know about office equipment, talk to Charlie Longwell. He's got the best system: buy it, rent it to the departments and tell them when they're going to get new equipment, and let it go at that. In my mind, that is the only system for office equipment. I was talking about a specific

purchasing interface with the bookstore. It doesn't have to be office equipment; it can be anything. In purchasing, we do not buy any office supplies, because the bookstore gets a much better price on them. Now there are probably some things that don't work that way. Let me talk about photographic equipment. They can buy at a great price and you can't touch it, if you know what you are doing. If you have a buyer in the bookstore who doesn't know what he's doing, you have another kind of problem. But we are all purchasing people and we realize the guy in the bookstore has to be a good purchasing man too.

Mr. Nelson, University of Pittsburgh: Is your bookstore totally recoverable or do you have some nonrecoverable expenses to cover purchasing?

Mr. Heidrich: It is supposed to be self-supporting, if that's what you mean.

Mr. Robert M. Ferrell, Director of Purchasing, University of Pennsylvania: You have commented on the bookstore versus purchasing for office equipment. However, for office supplies we found that the bookstore was charging the departments much more than we felt was reasonable. So we went to a national type contract for two years with Boise Cascade and some of the local stationers and office suppliers. We felt that we saved departments 20% on office supplies the first year. The office supplier made up the form on the basis of our experience for what was ordered. There is a requisition prepared on a printout form that is picked up on Monday by a salesman, and the supplies are delivered to the room on Wednesday, regardless of the size of the package. Previously, our experience was fifteen to twenty days with bookstore delivery.

Mr. Heidrich: The circumstances, of course, aren't pat: you have to look at the total process. But if you have a good size bookstore at a large university, the volume itself going through it, retail as well as through the departments, ought to really give you the muscle.

Mr. Nelson, University of Pittsburgh: Our plan is substantially yours. We used to run what I call "the five and ten" out of our program of supplies, but being in an urban and commercial center, we went to an exclusive contract with a stationer who, by the way, handles our requisitions and turns them into a purchase order and we get a computerized bill every fifteen or twenty days, I believe. Everything is delivered, regardless of the size of the package, to central receiving and we do have to handle it from there. I think we have a very good idea. It has worked well for us for the last three years. We didn't want to get involved with the bookstore because they would have to be inventoried. We don't have an inventory problem and we don't have a storage problem.

Mr. Mongoven, Wayne State University: For five years, we have had an equipment rental pool. We handle typewriters, calculators, dictation equipment for our region. You feel that could be done better through the bookstore than through purchasing?

Mr. Heidrich: No. I said that the rental situation which Charlie Longwell has is the best one, and Charlie purchases it for them too.

Mr. Mongoven: We purchase the equipment and rent it to the department.

Mr. Heidrich: Right. That's what Charlie does.

Voice from the Floor: Do they go through the bookstore?

Mr. Heidrich: No.

Mr. Longwell, Northwestern University: Purchasing has nothing to do with the bookstore.

Mr. Heidrich: It's a separate department.

Mr. Longwell: It is just compulsory that they get all this equipment through the office equipment rental department.

Mr. Heidrich: What I was talking about was if you can't do that and you are involved with the bookstore interface. I said that's the best system. You've got to be able to do that though and it takes a lot of backing administratively.

Do all of you recharge your auxiliary enterprises for their equipment writeoff? We paid $300,000 off in two years.

Mr. Longwell: Does that include motor pool, Bob?

Mr. Heidrich: We don't have a motor pool, Chuck.

Mr. Larry H. Pleau, Assistant Materiel Manager, University of California-Davis: If anybody happens to be interested, we have every teaching microscope on our campus in a centralized pool. We have 2,000 instruments which range in value from $4- to $6,000 down to maybe $3- or $400. We have them on a recharge basis and a reserve for replacement, and we have had it in operation for about twenty-four years now. It is on a self-sustaining basis and it pays essentially its overhead cost with the exception of our administrative cost. We replace microscopes with new, updated microscopes as needed and probably buy at the rate of $50- to $60,000 a year.

Mr. Heidrich: Because I have the vending operation and the contract to make, I also recently have been talking to the Director of Housing and Real Estate about the problem of whether or not to lease the washers and dryers in the dormitories. I would just like some reaction from people as to what they are doing. I have a proposal from Maytag lying on my desk which doesn't look bad, and I would like to hear what some of you are doing. Do you own your own or do you lease it or what?

Mr. Gullo, State University of New York at Stony Brook: Why don't you contract it and make some money out of it. We found that having washers and dryers on one contract and vending machines on another works out the best.

Mr. Heidrich: I've got the vending thing wrapped up. I don't worry about that. I got the best contract I ever got in my life last year. My problem is washers and dryers only.

Mr. Gullo: Well, we contracted them with all the maintenance and everything included and we still make money.

Mr. Heidrich: What kind of percentage?

Mr. Gullo: I think it is something like 40%.

Mr. Heidrich: I have heard that figure before.

Mr. Longwell, Northwestern University: We split ours. On the big units, we operate our own and we think that we will net about 60%.

Mr. Heidrich: By big units, do you mean where there is a large bank of them?

Mr. Longwell: Where there is a dozen combination washers and dryers and a bank or two banks in the building. Our maintenance engineers will handle those or we will hire the work done by the contractor that has the smaller units contracted on the campus.

Mr. Heidrich: You mean you get a maintenance contract with him.

Mr. Longwell: Yes. We make about 40% on the units that are contracted for and about 60% on the ones we operate ourselves.

Mr. Fleming, North Carolina State University: We opened new housing back in 1960 and we installed washers and dryers in two different locations there, and I think we charged 15¢ per wash cycle, whereas the prevailing rate was 20-25¢ in town. Since that time, we have been able to maintain that equipment and replace it as needed and we have added washers and dryers in the dormitories from this

fund. It has produced quite a bit of revenue and we are able to permit the students to do their own washing and drying at a much lower rate than they would have been able to do had they had to go off campus. It has worked very well.

Mr. Heidrich: You own it and operate it.

Mr. Fleming: That's right.

Mr. Heidrich: Before I hear any more specific answers, let me ask you: What price are you charging? How many of you are charging a quarter? Let's take the wash cycle. (About ten raised their hands.)

Mr. Heidrich: You're still at 15¢?

Mr. Fleming: Oh, yes, we sure are. We bought new washers just a year or so ago and we're still charging 15¢.

Mr. Heidrich: That's interesting to note. On the contract people, is it 20¢ and 25¢, along in that range?

Mr. G. Walton Roberson, Associate Director of Purchasing, University of Arizona: We may be old-fashioned, but we own and operate everything on the campus and run it, including the food service. We find we can do a better job and make as much or more money than somebody else and not have that outside person to fight with. It takes more work, but we feel we have better control.

Mr. Priest, Indiana University: We started out with the washer-dryer business on a contract and found that our service was not good at all, and that is what got us to buying the equipment and operating it ourselves; and we found that it was a very profitable venture to do it ourselves. Unlike the vending service when we started out in the vending service and got out.

Mr. Burks, University of Iowa: We have gone all the way, even on the vending equipment. We not only bought the washers after we had contracted for them for a long time, but we had been handling the vending service on a contract basis and got tired fooling around with those people and so we bought quite a bit of the equipment that they had on the campus. Since that time, we have probably bought another $100,000 worth of vending machines and they are real money-makers.

Mr. Heidrich: What do you think you're making on it, Ainsley?

Mr. Burks: I can't give you an idea on it, but any time you buy a million and a half cups at a time, there is a good volume there and it is profitable to us just the same as it is to the others.

Mr. Heidrich: I would just be curious for my own information because of what I know we're going to get back over the next two years with the new contract I negotiated.

Mr. Gullo: I have a question, Bob. How about damage on vending machines? Has anybody had any experience?

Mr. Heidrich: I charge it back to the house that does it. If they do it two or three times, I take out the equipment. That is one thing I have control over. There isn't anybody else at the University who controls it.

Mr. Burks: We just have to take it because these are in academic as well as dormitory buildings. Who do you charge in an academic building?

Mr. Heidrich: The department. I send it to the department. They may not pay it, but they know what it costs. I may not get it back. It doesn't come to me anyway. It goes to the vending contractor. So far, I have been reasonably successful with it because the Assistant Dean of Students in charge of housing has been cooperative with me and has put it on the back of the houses when they have had the problem. I am going to have a meeting with them next Tuesday to talk about the possibility of putting the equipment back in next fall. It is partly because of the way we

service them vending-wise. If they have a problem, we try to respond to it, the vendor and ourselves, and if there is a legitimate gripe from the dormitories, I'll go to see them and talk about it. I don't want any problem. I'll sit down with the kids and discuss their problem. That is one reason that it is better than it has been.

Mr. Longwell: Does the department get credit or the income off the machines?

Mr. Heidrich: No academic department gets any credit. Auxiliary enterprises gets the money back because they are an income and expense account, and I have no problem with that one either.

What about the dryer costs that you are charging now for the dormitories?

Mr. Fleming: Ten cents for ten minutes or twenty minutes, depending on whichever way it is set.

Mr. Heidrich: That is pretty close to the commercial rates.

Mr. Fleming: This is right.

Mr. Murphy, University of California-Riverside: In ours, the dryer is free on the 20¢ wash.

Mr. Heidrich: They're tied together?

Mr. Murphy: Yes.

Mr. Heidrich: That sounds interesting.

Mr. Munk, Utah State University: What brands of equipment are you using on your washers

Mr. Fleming: At North Carolina State, we use the Speed Queen Washers and Dryers mainly. We have to buy them on public bid, but this has worked out very well so that we have been able to buy the Speed Queen Washers and Dryers.

Mr. Burks: We are using the Speed Queen primarily with the stainless steel tub.

Mr. Heidrich: That's a commercial type.

Moderator Peterson: We use the Philco Bendix commercial type. We used to charge for the washer and then give the dryer free, but we found that the students were hanging lines everywhere and drying their own materials on the backs of chairs. So now we have changed and we give the washer free and charge for the dryer.

Mr. Fleming: I would like to comment on this matter of the stainless steel tub versus the porcelain. The first washers we bought did have stainless steel tubs. We found that that will last for a lifetime but that the machines don't last any more than six to ten years. Therefore, we have now gone back to the porcelain tubs and we can buy the machines much cheaper.

Mr. Heidrich: You always have to look at the cost of benefit on equipment. I didn't realize that there was going to be as much discussion about washers and dryers.

I belong to another Association, as you heard. Both of them happen to be working Associations and you ought to be proud of the fact that you do have a good one. I hope that it will continue to work and do some consolidating about the computer problem. Keep working at it.

Thanks for your cooperation today.

Moderator Peterson: Thank you, Bob, for conducting this workshop and thanks to all of you for your attendance and also your participation.

I believe that we are all better by having been here. At the beginning we discussed various kinds of fuels. I would like you to remember that there's no fuel like an old fuel.

WORKSHOP K

SMALL SCHOOLS PROBLEMS CLINIC

THURSDAY MORNING, MAY 10, 1973

Mr. Earl F. Newland, Moderator.

Mr. Newland: I want to remind you to be sure and speak out your name and your school clearly so that our reporter can get it. Don't hesitant to say what you think or ask what you need to know.

I want to introduce you to Paul Nagy.

Although Paul Nagy is quite well-known to many of you, he is new to me. I have been very impressed with what I know of him. He is currently the Director of Purchasing at Washington and Jefferson College, Washington, Pennsylvania, and has been there since 1966. Prior to that he was an accountant with the Gal Birth Company in Pittsburgh, Pennsylvania, from 1952 to 1966 — 14 years. Also he is currently the Chairman of the Pennsylvania/West Virginia Regional group of our Association. I am sure we will have a good morning together.

Mr. Paul E. Nagy: Thank you, Earl.

Gentlemen, we are here to exchange ideas.

Listening to questions asked at regional meetings indicates to me that everyone seems to have problems and, surprisingly enough, the same kind of problems.

Knowing this is a good feeling because it certainly doesn't make you feel like you are alone in a hopeless situation.

We have had our share of bad experiences with furniture, primarily dining room furniture. I think perhaps all of you, at one time or another, who purchased dining room furniture must have had some kind of an experience. We have a unique situation in W.&J. in that we have a cafeteria-style building on the upper level, and on the lower level we have ten individual fraternity dining rooms. This presents quite a problem to us because some of the fraternity boys eating in private dining rooms, for some reason, they decided to test the products. They test the chairs, the tables, the walls, and everything else. We have had our problems trying to get a good chair that would stand the punishment of 200-pound fraternity boys. We decided to make a tour of a local furniture factory to see if we could get something from a local manufacturer and distributor so that if we had any problems we could go back to them. And that is exactly what has happened.

We went to them and explained what our problem was with the chair that we had. They designed a chair for us that was very much similar in appearance, but stronger. We have been very happy with the results as we haven't had any chair problems since. There wasn't that much of a difference in the price.

Are any of you involved in consortium purchasing?

Mr. Newland: We have two sister schools that are affiliated through our church relation and we buy certain items for them, such as printing paper, toilet tissue, hand towels, and flourescent lamps. The idea of a local group, or purchasing pool, is great if everyone can agree but I think they are all used to using their own favorite products.

If you have a dealer who has been giving you service over a period of years and who supplies you with a good product, why change? If you are getting the low price, service and the delivery, you have no reason to.

Mr. Nagy: However, it is amazing what you can do if you form a purchasing pool. We were able to finally get together on a particular kind of paper. The purchasing agents at Pitt made a survey of all of the schools in our area and determined exactly how many millions of sheets that we use in a year's time. The paper manufacturers were more than willing to talk about these figures.

We finally agreed on a type of paper from a small local supplier who gave us the best price. We are using Boise Cascade products. Pitt has somewhat deviated from that on their mimeograph machines. They still prefer A.B. Dick mimeograph paper.

However, a few of you have a large school such as Pitt in your area. If you can get them to come into your group and you will have the benefit of their bulk purchasing.

We are a small private institution and most of the professors have been there quite a number of years, and are spoiled. The only copier that they are interested in is the Xerox 3600, or maybe the I.B.M. small copy machine. When working properly they both make excellent copies. There are many, many more machines that make copies much cheaper, but they are not exactly the quality you might want to send out.

Other schools use electric static machines with the filmy paper, but our professors just won't go for it.

Unidentified Speaker from the Audience: On your paper contracts, are those contracts that each school can recognize?

Mr. Nagy: We send a blank purchase order to each individual college with the understanding that all of us, regardless of the amount of paper that we purchase, will get the same price as the University of Pittsburg. You will be amazed at the number of suppliers who are willing to do this.

Mr. Newland: Have you experienced any trouble recently in buying grade five sulfite?

Mr. Nagy: No, we haven't had any problem along this line. Every salesman that I talked to said that we are going to have a paper shortage. I am not so sure that they are not setting us up, as a lot of people feel the oil companies are doing. I hope this isn't true because if we have a large inventory of paper I don't know how they will maintain their sales for next year. Have any of you experienced the problem of a shortage of paper in your area?

Mr. Robert Hawley, Kings College, New York: We have heard, through our paper dealer, that two plants have shut down because they can't get the pulp to make the paper. The problem originates back there and not in the papermill itself. The story that I get is that it all revolves around the paper mills in Georgia. That is the only state that I have heard that has any problems.

Mr. Don Fields, Marietta College: It is not only a lack of pulp, but it is also the ecology problems that all our mills are having. They close down rather than remodel.

Mr. Fred Hanson, Beaver State: The problem we are running into is, in looking at our paper needs for this next year, some of the vendors out in our area are not willing to give us bids, because of price fluctuations. They will not stand behind their bids. This is the problem we are having in our area.

Mr. Nagy: We haven't had this problem in the Pittsburgh area. The supplier we

are using has guaranteed price and delivery through June 30th. We entered into a paper agreement with them when this so-called paper shortage became evident. I guess it was October or November when they started coming around and saying we would have a shortage of paper. But what is going to happen in our final week when we are going to need all the copies? They stated that if we could give them a blanket order they would supply us as long as they were assured we would take it. We have guaranteed price and delivery through June 30th. I didn't find this problem in talking to some of the other schools. They apparently have purchased through salesmen in their area with the same offer. It hasn't been a problem as yet in the Pittsburgh area.

Mr. Walt Beasley, Emery University: I recently had some trouble with bidding paper, and, particularly, in the lower grades. They are being eliminated, at least in Atlanta. We used to operate on contracts of six months to a year on paper. Right now three months is all we can get. As late as last week we were able to secure contracts that will last us from the coming September through next year, but that is only on hand towels, paper bags, and toilet tissue, and things like that.

Mr. Nagy: Is there anyone who hasn't had some kind of report or response from the paper company saying that there is going to be a shortage?

Mr. Claude Dye, University of Idaho: I have talked to the forestry people in Idaho and they claim that the biggest problem of this paper shortage is the fact that their staff has been cut down and they are unable to set up sales in these areas.

It looks to me like a rebellion on their part. This is one of the reasons that we are experiencing a shortage of material to make paper from. I still don't believe that we have a complete shortage of timber, so I anticipate that this paper thing is going to straighten itself out. I wouldn't depend entirely on this, it is just one opinion; but, I think in the next year or two, we will see enough paper on the market.

I have a question that I would like to ask on a new subject. We're ready for a change.

Mr. Nagy: What is your question?

Mr. Dye: Just recently we established a lab glassware contract on an annual basis with two annual renewals, and I am curious to know from this group how many are buying their chemical supplies and glassware and small capital items on an annual contract basis?

Mr. Nagy: At W.&J. we have a contract with Fisher Scientific Supplies. Fisher has a rather large distribution point in Pittsburgh, and are able to supply us with practically everything we need. Of course, we have the others—B.W.R. and Baker, and so on. This way we can fill in items that Fisher cannot supply.

Mr. Dye: The contract was issued to B.W.R. Scientific with a one-year contract with two annual options. As I recall, the chemicals, in quantity, were at a 25 per cent discount. The glassware, in any quantity, including single-item purchases, at 150 case price, and small items of less than 100, 25 per cent discount. This is better than we have been doing on our large orders, and then buying small orders in between.

Mr. Nagy: The Fisher salesman in our area will supply us with what he calls "free goods" if we buy a certain amount of chemicals and glassware, and so on. On an order of 2,000 he would give us maybe five or six hundred in free goods. We operate from a net price catalogue that they supply.

Mr. Dye: Generally we are going to be getting a 40 per cent discount on everything that we buy. We are buying somewhere around 150,000 to 200,000 a year. We can save in the vicinity of 20 to 40 thousand a year.

Mr. Hawley: Mr. Nagy, do you have the choice of the goods they supply to you free or do they just supply what they want?

Mr. Nagy: We select the specific items that we need and they will select particular items on that list and say, "These will come in at no charge."

Mr. Newland: We tried every way we could to get bargains on scientific products and equipment. We have bid and made up long pages of lists of stuff, and had them all bid, and got into the dadgumdest hassle I have ever been in. Some of the people in the department didn't turn in their lists. There was half of a department list that was all free, and all the other items were charged. Then it all came in at one time and they didn't have any place to put it.

Last year was when we just said you furnish us a catalogue of your list prices and give us a discount, and we will order on whatever minimum basis you require us to order in order to get the discount that you offer.

I think we got a 25 per cent discount straight across the board with the understanding that whenever we had equipment to buy we would buy on bid if we had enough to justify a bid. We use the Watts line now and give them a standing order based on 25 per cent discount. I have no idea what is going to happen this year because we haven't come to that point yet. However, it does solve our warehouse problem. Most of our people have been pleased with this arrangement.

Mr. Nagy: How early do you request a list of departmental needs for the following school year, starting in September? We generally start in January or February and ask the department chairman to determine what their needs will be for the next year. One of the problems that I face is that they will make a request and we will get a price on that particular item for budget purposes in January or February. The way the market is today, by the time we make that purchase later on in the summer, the price has changed considerably and that throws the budget out of kilter. As a result, come April or May of the following year, you are out of money for something that they needed previously, and have to do without certain things. How do you get around something like that?

Unidentified Speaker from the Audience: When we put the budget factor in we tell them the things we can foresee and we add five or ten per cent or whatever, on a selective basis. It is better to be a little over than under.

Mr. Nagy: We were able to do this easily in the past, but it seems like every time my secretary dumps the mail on my desk there is a notice of a price increase. It has not become that great of a problem, but it has been a problem with us recently. Certainly costs are not going to go down. We work about four months in advance and it is not that easy to forecast. For July and August purchases we make requests in January and February. Perhaps we are starting just a bit too early.

Mr. Hanson: We issue some bids for the fiscal year starting July in January. On the bid we underline with capital letters that they are not to be delivered or billed until July 1. We let the vendors know and they give us a price accordingly. This is what we do on some of the athletic items and science items, and things that take a long time, such as microscopes.

Mr. Nagy: Do you find that the dealers are a little reluctant to guarantee a price that far in advance? Some of the suppliers in our area just don't want to guarantee the price that far in advance. We ran into a problem with our auditors in that respect. When the auditors came in and received a report that the products were already on campus in May they wanted to charge that on the previous year's business.

Have you run into this?

Mr. Beasley: I think that is going to become a standard procedure for most auditing firms, now.

Mr. Dye: We have had the same experiences. We are a state-operated university and we have just recently gotten Price Waterhouse in as our auditor. One of the first ones that they told us that purchase orders issued before May 30th would go on the old year, and those issued after July 1st would be on the next fiscal year, and that would be the point at which the fund would be cut off. So, it is not when the merchandise itself is delivered.

Mr. Nagy: They are going by the actual date on the order even though you may have it typed on the bottom to invoice after July 1st.

Mr. Dye: The delivery invoices would be assigned the next year's purchase order number if they are to be delivered after July 1st.

Mr. Nagy: We don't have central receiving.

As a result, when we issue the purchase order and we indicate on there what department that that order is supposed to go, and then some professor in that department is designated as the receiving agent for that department, it is up to him to check the item in and return a copy of the purchase order. Then we have a receiving copy of a five-part purchase order that goes to the department when he receives the order and it is up to him to verify that the items are received in good condition and that they were received. I know what is going to happen, though, they will just imply a little deception and they just won't return the copy of the purchase order. They will just say that they haven't gotten any even though the thing is sitting on the floor, and then send it back after July 1st.

Mr. Sumner Holbrook, Phillips Exeter Academy: I would be interested to hear what you finally did choose for a chair in the fraternity dining room. Also, I would like to read into the minutes that I think, looking to next year's meeting, that we should make a determined effort to have some microphones elsewhere in the room. It seems to me that we haven't all been able to hear. They have this type of setup at other meetings that I have attended.

Mr. Dye: I placed quite a large order, of furniture for a new building, and we spent all of the money, and E&I came through with a price increase on the invoice at the time it was delivered. We got it straightened out, but it seems that the invoice department includes the increase and then you have to go back through and get it straightened out.

Mr. Nagy: To get back to your question on the chairs. We went to a local furniture supplier and manufacturer called Patterson Furniture Company, it is just west of Pittsburgh, and explained the problem that we had was that the chair they were using in the fraternity dining room was a wooden chair, but whoever designed it didn't include stretchers on the legs, and the first time these 200-pound football players would lean back the legs would go. We took a sample of the chair that was broken to show them where the weak points were and asked if they could design a chair with the stretchers in our price range. They designed a chair that is almost iden cal to the chair we had, but it is a much sturdier frame.

. wasn't in on the purchase of the original chairs that we supplied for the fraternity dining room, but we bought some six or eight hundred chairs and we have had just about 600 of them go bad. The manufacturer has supplied us with parts to replace them and we have an upholstery man who is kept busy just trying to keep the chairs in repair.

The stretcher makes all the difference in the world. I would recommend that if any of you are anticipating any chair buying in the future, don't always listen to

your architect. I don't mean to criticize your architect, because they do a fine job, but many times they will select a chair for appearance sake only and that is only going to cost you money in the long run.

Mr. Holbrook: You mentioned an upholstery man; do you have fabric in these chairs?

Mr. Nagy: Naugahyde.

Mr. Holbrook: You are saying that Patterson prices are far below Gunlock's?

Mr. Nagy: No, it is a few dollars below Gunlock. The reason we like dealing with a local manufacturer is, obviously. If there is a problem with the chairs it is just a matter of a quick phone call. We bought the original chairs from a furniture manufacturer (not Gunlock) in central Pennsylvania. We are in western Pennsylvania. When it was obvious to them that we were going to have a real problem with these chairs the first response that we received was, "We have supplied thousands of these chairs to colleges all over the state and the problem only seems to be at W.&J. What are your students doing to the chairs?" I also noticed that in the following publications that they issued that the chair was discontinued. I don't think it was on the basis of what solely happened at W.&J.

Out of the 800 chairs that were originally purchased 600 are just useless now. That is money down the drain. We have been fighting with them, by phone and letter. We threatened to take it to our legal department. Finally, we reached the president of the furniture company and he made an offer of complete settlement of 175 chairs. Our position was that we bought the chairs in good faith on the recommendation of their salesman to our architect and, certainly, this salesman had been in business as a representative of this company for over 20 years and he certainly should have known whether this product was going to hold up in a fraternity dining room. We feel that we were kind of taken on the thing.

It is only natural that you are going to have a certain amount of breakage. We are ready to absorb that particular cost, but not 600 chairs out of less than 800.

Mr. Newland: The purchasing agent can be a major factor in keeping the university either in the black or in the red. The purchasing agent can keep the plant people working 48 hours a day with repairs. There are all kinds of grades of Naugahyde, and wood. I would like you to come to our campus and see one of the biggest fights that you have ever seen with an architect. This particular architect was determined that he was going to put in a certain chair in our library — 1200 chairs. Well, we had gotten a clause written into the contract where by the library director and myself had to approve the chairs, as well as the architect. But the architect wasn't willing to abide by that. We were able to win the dispute with the trustees and got the Gunlock chair that we wanted. That particular chair has been in the major work area of the library now since 1967 and we haven't had a bad one and they still look good. We did get 16 of the other chairs that the architect chose to place in the areas that are not used as much, and [illegible]h you could see them. We wouldn't have a chair left if those 1200 chairs were [illegible] in the work area. What I am saying is that they can just run you out of business.

Mr. Nagy: On the subject of fuel oil contracts, I wonder if anyone else has had the problem of having their fuel supply cut off and, particularly, where you have a contract. I had a contract cancelled that had a 30-day clause beneficial to both parties. The contract had an escalation clause. They had an increase in costs themselves so they summarily cancelled our contract. Seems to me that even though there is a 30-day clause in the contract (we are having our legal depart-

ment to look into it now) they should have cause for cancellation and not just because they want to make more money.

Their representative said that they can sell all the oil they have at local delivery prices and, thus, they have cut us totally off. He said that you can get oil from the local dealer at local delivery prices.

Mr. Hawley: We have had a contract. The company actually had one experience where they had difficulty getting oil. Their supplier is Texaco. However, they went out and purchased oil at a higher price than we are buying it at the suppliers and stood behind their contract. We have a standard differential that stays the same.

Mr. Nagy: I have one other question. In relation to paper goods, we got word of a price increase on toilet tissue from the supplier, and then I discovered, about two weeks later, that the cases were no longer 100-case lots, there were 96 rolls in the cases. Has anybody had any type of experience like that before?

They raised the price 44 cents a case.

Mr. Beasley: In placing an order for toilet tissue, and so forth, we designate the number of rolls in a case and the weight — the weight of the case is most important — and whether or not it is single or double ply. If you get your full specifications in the order, I think you can hold them to it.

Mr. Newland: Has anybody had any trouble with large cuber ice machines? Do you know anything about them? I had an outside authority give me the opinion that we shouldn't buy machines of over 500 pound capacity. He said that 250 pound size would produce ice without much trouble, but when you get over 500 pounds in a cuber you get troubles.

Unidentified Speaker from the Audience: Day before yesterday someone posed the question at one of the general sessions about private telephone systems on the campus. I wonder if anyone in the room is prepared to discuss their experiences with the private telephone system. By private, I mean school-owned. The question is very real.

Mr. Nagy: Dr. Nelson from Pitt certainly conducted an extensive study into their telephone situation. I am not sure what the results were, but I wish he were here to explain it to you. I'm sure he could tell you what the University of Pittsburgh has done. He has uncovered some interesting things in regard to the telephone system.

Mr. Paul Culver: What do you mean by a private-owned system?

Mr. Nagy: You can have that if you so desire on your campus. It isn't always the greatest thing in the world. Generally, they are opinions from other representatives of colleges that I have talked to who said they have tried it and didn't like it. On the other hand, there are a few who have tried it and say that they are completely happy with it. They say they are not under "Ma Bell's" wing anymore and they can do anything they want. Is there anyone in the room who has tried an independent telephone system? There have been some high court decisions which have made "Mother Bell" change her attitude, as you probably know. The study made indicates that you could save money by putting in your own equipment, but there is no guarantee that "Ma Bell" wouldn't charge an excessive amount for her line if you want to call out of state.

Mr. Culver: I understand that is one of the problems, you are kind of at their mercy when you are leasing their equipment and that is really what you are doing, you have to use their lines. In some instances I understand that that has been a disadvantage. I wish I knew more about it.

Mr. Hawley: What is your experience in the possible telephone cost rise?

Mr. Nagy: In our particular area Bell indicated that they haven't had what they consider a major increase since 1964.

Mr. Hawley: In our area they are supposed to have, according to the Public Service Commission, an eight per cent increase, but I was told it was 26 per cent because it varied in different things, and the increase was actually 26 per cent.

Mr. Nagy: Has anyone else had an experience along these lines where the increase was more than what they said? I guess we can't explore that any further because we just haven't enough experience in regard to the private telephone system.

I would like to know what experiences you might have had with purchasing surplus property.

We made a purchase just two weeks ago that I was extremely disappointed in. The local agent came around and indicated that he had some things that he thought we could use, and in looking at the list, we were very much interested. There were some file cabinets, some data processing equipment cabinets, and a lot of electric supplies. The electric supplies were the only things that turned out to be usable.

They led me to believe that the products that we were going to buy were usable. We sent our truck to pick up the products from the warehouse and bring them back. The desks and the files were just practically smashed to nothing, and I was extremely disappointed that the government would do this because we expended good money. We haven't been able to get it straightened out yet.

Unidentified Speaker from the Audience: Is this a state agency that you work through?

Mr. Nagy: Yes, it is federal surplus through the state. The thing that disturbed me was that they indicated that they were in usable condition, but they absolutely were not. I am wondering if any of you have ever had any experiences along these lines?

Unidentified Speaker from the Audience: I am from Indiana, and in Indiana we have a big warehouse where we can go down and look at material before we ever touch it.

Mr. Nagy: It's a problem in our area because the only warehouse is in Harrisburg and, of course, that is at the other end of the state. We are limited in what we can purchase because all the schools in Harrisburg and Philadelphia get first crack at it. By the time we make a trip to Harrisburg, which is four or five hours away, whatever we are after is gone. We tell them to call us when they are going to have a new batch of stuff in and I try to get someone down there the day after it comes in, but we have a tough time as the big schools seem to have a better hold on it. I know that the schools in the Harrisburg area, and Philadelphia, make it their business to have their trucks down there at least two or three times a week so that they get anything that comes in that is top quality.

Mr. Dye: What you need is a full-time employee screener. In the last few years our screener has obtained new value of over $300,000 in equipment and supplies and he is there when they open the doors. I am not suggesting that some of the smaller schools could hire a screener, but they could get together with four or five other schools and hire one.

Mr. Holbrook: Have you discussed this problem with your senator in Washington?

Mr. Nagy: No, we haven't discussed it with the senator in Washington.

Mr. Holbrook: I think you might be surprised with the sort of help that he might be able to provide.

Mr. Nagy: I raised the question and they agreed that there was a problem for the smaller schools. They indicated they were going to construct, or make another warehouse available, in the Pittsburgh area, and they would also provide more representatives who would go around to the schools and present a list of surplus property. And, if you were interested, you could just sign a form indicating that you would take it and then they would hold it for you for a reasonable length of time.

Mr. Holbrook: We have the same problem. This is a problem all the time.

Mr. Nagy: We happened to be in Harrisburg for a meeting and I stopped at the warehouse and on that particular day they were just putting out on the floor cases of flourescent light fixtures. Boy did I grab those in a hurry. They were brand new fixtures. We made arrangements to get them back to the college and install them in the classrooms.

About two months passed and I received a letter one morning from the gentleman I talked to indicating that they had 40 cases of brand new flourescent light fixtures that W.&J. could have. We made the necessary arrangements to hold the fixtures for us. When we got the paper work and the acquisition costs — I don't recall the actual costs now, but, for example, instead of the lot amount being $230, a clerk had mistyped the figure and indicated it was $2300 and not $230 on the acquisition cost. But because of that typing error I can't get those flourescent lamps. When I called Harrisburg and pointed this out to them they said we would have to start all over again. I said, "Where do we start?"

They footballed that thing around and those fixtures are still sitting there because the clerk made a typographical error.

Mr. Newland: I would like to see how many small schools have central receiving, how many are pleased with it, and who would like to junk it.

Mr. Ed Bravo, Loyola University, New Orleans, Louisiana: We have central receiving and we wouldn't do without it. We had a problem with invoices that having central receiving straightened out.

Mr. Nagy: In my experience professors are just not qualified to be receiving people and are just not responsible as someone whose job's designation is just that. We have had some problems. For example a professor, indicates that he has received something. Two months later when he gets around to using the product, he comes back and says that it is the wrong thing.

Mr. Steve Parker, Detroit State: Central receiving has probably corrected about 80 per cent of all the receiving problems that we had. We deliver the technical items to the professors and they will tell us whether or not it is okay.

Mr. Nagy: Any more questions?

Last week I was in the Los Angeles area. The City of Los Angeles wanted bids from all major oil companies and didn't get a single bid. They anticipate a 50 per cent increase in the operation of the costs of their schools. How many people are getting bids?

Unidentified Speaker from the Audience: I haven't been able to get bids on gas for three months.

Mr. Dave Jones, Oakland University in Michigan: The state purchasing division in Lansing, Michigan secured one quotation from a Standard Oil Company, who had the contract for the previous year, to take care of just about 25 per cent of their requirements. But when we sent out for quotations at the university one firm came in with a bid for us for the three months. After that we got together with the local gas stations and took pot luck with the rest of the people.

Mr. Beasley: I would like to comment on the previous question about central

receiving. We are a medium-sized school and have 9,000 employees. We actually operate the entire purchasing department for the university, on what it would take to run a central receiving department. We have no central receiving. We put out a purchasing manual and the people have to adhere to it. We are scattered out over a large area and purchase for an area that is under contract with E.E.O. and we have not found central receiving necessary. There is really no need in our case because we are in Atlanta spread out over a 12-mile area.

Mr. Nagy: What evidence do you have that the items have been received satisfactorily?

Mr. Beasley: We normally send invoices to the departments for their approval.

Mr. Nagy: You send the invoice copies?

Mr. Beasley: We send the original invoice and one copy. Invoices of $50 or less are approved within the purchasing department and a copy is sent to the department saying, "This has been approved and deducted from your account and, unless we hear from you within five days, it will be paid."

Mr. Nagy: What if you have a professor who sits on the invoice and maybe never returns it?

Mr. Beasley: We make them return it. In a few instances that we have had I have gone ahead and approved it myself and paid it, but we have cooperation from the deans. When you have a whole lot of people to deal with, you are going to get some that are real rotten eggs. I think you should just keep this in the back of your mind.

Mr. Nagy: I would be reluctant to send the original invoice to some of our departments because our auditors insist on paying from an original invoice. There are two departments in particular that have not always returned invoices to us.

Mr. Newland: As far as I'm concerned it is an awful expense. We had to hire a whole staff to receive the merchandise and we don't have a warehouse and they just turn around and load it on our trucks and deliver it and in the process damage it. Of course we can't make a freight damage claim there. Besides that, it gets lost after we receive it. I think that we may be just paying out a lot of money to accomplish nothing except to facilitate the accounting department. Some institutions — and I think it is a good idea, just pay the invoice and send departments a notice that it has been paid. You wouldn't want to pay a $5,000 invoice without knowing whether the merchandise was there but the small ones are different.

The companies that we deal with are selected on a basis of being reliable. They are not some fly-by-night outfit. Therefore, if we issue them an order we are going to get the merchandise. If the department requesting the merchandise never gets it you are sure going to hear from them. We don't look at it like somebody is waiting to cheat us by not shipping the merchandise and still billing us. You can also be in a situation where the trucker will only make one stop and then you have no choice. I think if we had a choice, we would retain central receiving but the cost is high.

Mr. Nagy: Gentlemen; There is one more question I would like to ask. What experiences have you had with contract cleaning or plant maintenance? You know, this is becoming somewhat of a problem to a lot of schools because schools that were not unionized before are now finding themselves forced to join a union and, as a result, a whole lot of them are going on to contract cleaning and maintenance. I would like to ask how many of you have contract cleaning and maintenance and what are your thoughts on it?

Unidentified Speaker from the Audience: We have it in some of our most used

buildings. I can't tell you how the cost is compared to us doing it ourselves now, but when we started the contract it was about the same.

Mr. Nagy: You said that you just have certain designated buildings that you contract? That is interesting. I am surprised that a cleaning company would come in and not want all of the buildings. I am surprised that they are willing to take just designated buildings and let the rest of them go. May I ask if your custodial force is unionized?

Unidentified Speaker from the Audience: No.

Mr. Nagy: That answers the question. When they become unionized you may run into a little bit of a problem. Has anyone else had any experience along that line?

Unidentified Speaker from the Audience: We do not have it and are not unionized, but we made a study about three years ago and we found a phenomenal increase in costs to get a contract.

Mr. Nagy: This has been my experience, too. We got bids from three local contract cleaning companies. I am sure they do a fine job but we are still able to do it at less cost. Maybe we're not doing the greatest job in the world, but it is satisfactory. So we have held off on that even though our employees did join the union and they have created a number of problems. I still think that we are better off.

We are out of time. I would like to thank you for your response and attention. There are any number of subjects that we could have gotten into but that would take the rest of the week. It has been my pleasure to be here with you gentlemen exchanging ideas and, hopefully, we will look forward to seeing you next year.

Thank you.

WORKSHOP L

JUNIOR/COMMUNITY COLLEGE WORKSHOP

THURSDAY MORNING, MAY 10, 1973

Mr. E. Don Harmer, Vice-President of the Association, Moderator.

Moderator Harmer: I'd like to introduce Boyd Hartman from the Kalamazoo Valley Community College in Kalamazoo, Michigan. He's a native Michigander and graduated from the University of Michigan with a major in sociology; did graduate work in business at the Western Michigan University and spent 13 years as a salesman for KVP-Sutherland Paper Company covering the territories of the Eastern and Midwestern states. He has joined the Kalamazoo Valley Community College in 1955 as their Director of Purchasing and is presently the Vice-Chairman of the Michigan Chapter of the NAEB; and also presently Vice-President of the Michigan Public Purchasing Officers Association.

Mr. Boyd R. Hartman: Thank you, Don. I have gone through and jotted down a few of the things that have been happening to me in anticipation that some of these things are happening to you. One thing that is happening in Michigan that could have serious consequences is the gasoline shortage. We're a small user of gasoline, so I'm not personally concerned about getting gasoline. We did joint bid with the City of Kalamazoo, Kalamazoo County, and a few other surrounding cities, which we've done in the past, to the advantage especially of the community college

because we get in with the large volume of the county and city. Last year we got our gas for around 11.49 cents a gallon. That's regular gasoline. We knew there would be some troubles this year, because, the City of Detroit received no bids whatsoever. We had the same experience in Kalamazoo; no bids came in. So the city and county are sitting right now without any source. I called the supplier who had supplied us and he said, "We can take care of you for the 10,000 gallons a year you use, but the price, of course, will be up."

Through the Michigan Public Purchasing Officers Association, which includes counties and cities as well as colleges and universities, we are taking a stand as a formal group with the gasoline company, stating that they do have an obligation to come through with gasoline in some way, somehow, because others are having the same experience as we are, no one wants to bid. We're not even tackling the price situation, we're just saying you've got to give us gasoline.

So we're still in the throes of working this out within the state, and I'm wondering if any of you are finding any way to bring pressure, or is there anyone who has similar problems, and how are you approaching it?

Mr. William C. Johnson, Foothill Community College: The Los Angeles Transit just went out for bid and received their bids back. No bids at all from any other companies. And they are beginning now to have an investigation into all the large major oil companies to see if there is a shortage of gasoline. But the Transit Authority in the City of Los Angeles received no bid for their requirements.

Mr. L. L. French, Aims College: We're in the same situation. We've been taking advantage of the State of Colorado purchasing contract. They didn't get any bids and they looked into it and they come out with the impression that the oil companies were trying to pressure the state or the governmental buying agencies into not being so tough on them in the environmental problems.

Mr. Hartman: We were 11 cents last year. We're a state-funded institution and local tax dollars as well, so we pay no tax in the community college system in Michigan. Nor were the four-year universities again, who are publicly funded.

Moderator Harmer: In California we are having a particular problem in our area of LPG gas which has become critical, and it appears that we are going to have to buy in advance of the guaranteed delivery and pay a little premium for the amount that we don't use. Are any of you having any experience in that, or any technique for buying in advance?

Mr. Hartman: I think that our problem is going to be we're probably going to pay more and not have any choice in the matter. You're just going to be happy to get it and you're going to pay the price, which somehow doesn't seem right.

Mrs. Moore: In our last delivery, we committed ourselves to 10,000 gallons of gasoline to Standard Oil, as a repeat of the prior year's contract, and I wasn't quite as lucky as your 11.9; I got the 12 cents, almost 12.3, and I didn't get in on the city bid so I had to do it on our own.

And they told me at that time that they would still honor that 12,000, but my next order would have to be at a higher rate undetermined at that point. I've got quite an inventory, it will probably take me until next January before I have to worry; so I'm watching in the meantime.

Mr. James S. Freeborn, Clark County Community College: I would assume that their hesitancy in bidding is price, because we've seen articles in the paper a dollar a gallon within six months and they are not going to get themselves locked in on a contract that they can't do anything about. Of course, you said you'd be willing to negotiate if they'd guarantee to serve you, and that sounds like a fair request. But

I've heard this is all done to pressure to approve this pipe line out of Alaska. What you hear, of course, has no validity because anyone can say anything.

Mr. Hartman: You're right. And certainly there have been a lot of problems as to why the petroleum industry is doing this, because some people have said it is not as bad as they're making out. But I have certainly heard of this pressure to get the Alaskan pipe line; and if they get the public behind them, they won't have to worry about the environmental problems to bring that down.

I'm not sure what kind of pressures can be brought to bear through group comments. They're a big industry, they're tough. But it would seem that there is some merit in getting a consortium together, whoever you work with, and letting them know that you're unhappy with it and it is going to cost the public more dollars if you as public institutions — and I suppose there are some private junior colleges here, of course, you are not in quite the same position that we public institutions are of bringing some pressure to bear.

I would think from what we have said this morning you are going to be faced with paying much more for gasoline, assuming that you can get it at all. So as a group, if you can do better, you might want to consider joining with some other people and writing some letters, if nothing more than that.

Mr. Burt Trouteaud: I represent 15 hospitals nationally in seven different states and we run into the same thing as you have on gas bidding. We have 10,000-gallon tanks at each location. We ended up with a price of 11.98, and we guaranteed that we would accept a national price change with 90 days' notice for guaranteeing that we would have gas for the next year.

The problems that they have indicated to us, of course, is a little bit different than what you have on an individual location basis in one state, because we're dealing strictly with Amoco on a national contract; and they're complaining about the regional pricing being a variation, for instance, between Wisconsin, New Mexico, or New Jersey; and did not want originally to hold a steady price for all locations. But we did get it for that one year as long as we would accept the national price change on the wholesale price with a 90-day clause. There are 29 hospital buying groups nationally. I believe 16 of the 29 groups bought gas the same way, and are under 13 cents. So it is possible.

Mr. Hartman: Something that came up earlier is the possibility of buying your own telephone system. At Kalamazoo Valley Community College we have received a quotation from an outfit called T.P.I. And Stromberg-Carlson, who seems to be one of the larger big manufacturers, is behind T.P.I. And they have with figures shown us that they can save us about $16,000 a year, which would mean in slightly less than five years assuming no increases from Michigan Bell Telephone Company we would pay for the cost of the switching equipment. So following that we would be saving 16,000 a year, assuming we could come up with the full $80,000 we need to buy the equipment right away. How many have talked and considered exchanging telephone company equipment with purchased equipment? (Show of hands) So they are very active in the field. Now, those people who have raised their hands, has anybody actually gone ahead and supplanted the telephone company with that equipment? Nobody's made that commitment yet.

Mr. Johnson: We're going to bid now for a private system. We have investigated it thoroughly. If Mother Bell would update the current equipment that they have installed now at the two colleges, which is about 50 years out of date, it would cost us as much for that updating of equipment as it would to install our own private system, which is going to run somewhere in the neighborhood of $150,000.

But we are going ahead with the private system. We got clearance from our board of trustees last month to negotiate on this.

Mr. Hartman: Our major concern, of course, is we can't find anyone who has had the Stromberg-Carlson system in; because what happens ten years from now? Stromberg-Carlson is big enough that unless something drastic would happen I'm certain they'll still be in business. And if we can get something in writing which would say they'll take care of us for a good number of years, then it's going to make it a little easier for us to make this kind of investment. But we sure have trepidation in our hearts to get rid of somebody like Michigan Bell, whom we all know is going to be around for a long, long, time.

Mr. Harry Judson, Cleveland, Ohio, Community College: We're building a district office building which will house a population of about a hundred people. We presently operate three campuses with a student population of about 20,000 over the three campuses.

We thought this would be a good place to look at the independent telephones in a new building, with a population of that size. We solicited proposals from Ohio Bell, Litcom and Arcadia; and Arcadia came in and talked to us and said quite frankly they weren't interested because it would be just a section of a larger installation, so they declined to submit a proposal.

Litcom, on the other hand, came in and did a very careful survey and gave us a proposed price of "X" number of dollars, and we figured that the payout for us would be about a 15-and-a-half-year payout before we broke even. So we decided not to do it.

Mr. Hartman: Does anyone have a sister institution in their area who has gone to this?

Mr. Judson: We have. Kent State, which is about 40 miles south of Cleveland, went into a private telephone system. And they went in strictly on a bid basis and went in on a price situation and they took the low bid. They're now eight months behind in their installation.

Mrs. Nancy Sokolski, Mitchell College: Just a word on Stromberg-Carlson. We have in one of our forms a Stromberg-Carlson communications system. At the time they installed it they were using what they called a "Stroger" switch. I'm not sure whether they still do or not. But it is trouble. Stroger switches at one time were used in the telephone company installations; however, they've done away with that. I don't know whether Stromberg-Carlson still uses that same mechanism, but it's trouble.

Mr. Judson: I would advise people who are looking at this to consult with the telephone company to make sure of the charges of their lines and interconnective devices, because they just don't let you into their network without particular equipment. When you talk to the private people they just kind of downplay this aspect. So there is a charge from your public telephone company.

Mr. Don Stuffelbeam, Tri-Colleges, Chicago: We found out if you're having trouble with your present system — we have Bell — looking at independent systems is one way to get Bell on their toes.

Mrs. Moore: About a year ago our new president became quite concerned with the budget we were having to estimate every year for Michigan Bell Telephone service, so we did this; we brought them in, reanalyzed our whole program, where can we save money. And they went around to every extension on campus to see if it were needed on an unbiased opinion — quote, unquote — and we ended up restricting all of the faculty phones and having everyone list their long-distance calls.

What we really were trying to do is prove to ourselves and the board that it is costing us "X" number of dollars for telephone service and it's not being wasted. They were very good about it. At that time I said, well, maybe this is our time to make a change; and I think that they came through and proved to us that this would be a waste.

Now, you mentioned a savings of 16,000 per year, but when do you start appreciating that savings? Because you're putting out thousands of dollars a year to pay for this equipment; you're not going to really feel that savings for, what, ten years? And the sophistication of the system as they change, you will not benefit by owning your equipment versus renting it as it goes from the telephone company. So we've stuck with them, and I haven't been sorry.

Our costs have gone down, so apparently somebody on campus was abusing long-distance calls, and we've saved about $12,000 a year now since we've gone through and reanalyzed our system. The faculty didn't like the restrictions, but they got used to it.

Mr. Wayne Crawford, Marin Valley Community College: We have two high echelon executives on our board of trustees. The interesting thing when we investigated was the fact that they were totally interested that we should try a private concern. And after the entire investigation they were the leaders in saying it was not a good move to go private based on the updating of equipment.

We've been through four different switchboards already. We're a new college, growing. We have one of the new ones now in which they only manufactured 12 last year according to what they tell us. It is much more reliable than the previous one. We've had a couple of fires and we lost a switchboard, but it is insured obviously by them. Every phone is insured when you think about it.

There's too many things in the package to get a handle on the costs was what we determined. The telephone men themselves wanted the investigation and then led the decision not to do it.

Mr. Hartman: It would seem the consensus coming out of this is be very careful. There's some things with these private institutions or private businesses that just are not clear yet.

Mr. Glen Maxwell, Rexburg, Idaho: You mentioned about maybe having an agreement that the system on Stromberg-Carlson be guaranteed for, say, ten years. In this day and age of mergers, so on, how effective would that be? I mean if they merged or sold out to somebody else wouldn't that nullify any agreement like that?

Mr. Hartman: I'll have to admit it is scary in this day of the conglomerate. You just have to hope that if you make a decision that this outfit is big enough you really don't have to worry.

Mr. Trouteaud: I think another thing everybody should do with regard to telephone service is to be aware of what kind of contract they're actually signing with the telephone company. There are several different kinds of contracts. If you have a new system installed, you could start out with a five-year agreement which states that if you change service or revise your system, it will cost you anywhere from 5,000 to 15,000 dollars to cancel it, or to change the service. There are other contracts that are for ten years for a Centrex system, for instance, that if you decide to change or cancel out the service you're obligated to pay as much as $45,000. I don't think many people actually read what they're signing on a contract for a new telephone system, even though it's through the Bell system itself.

You might find that as you put a new equipment room in or add a considerable amount of features to your telephone equipment and you're signing an authorization

for them to start with the job, that you're also obligating yourself to dollars that you aren't aware of. I cancelled a system in Michigan while I was with a community college there and it was originally going to cost us $7,800 to cancel the contract. The only way I got out of it was to move the equipment room, change the telephone number and reassign new service. Then they cancelled the $7,800.

Mr. Hartman: An excellent word of caution, because I did run into this in my investigation, too; that if you decide to do something different, you hit the telephone company at the right time, there will be a minimum amount. But if you hit it at the wrong time, you run into a definite cost factor that would assist you in making your decision of when to do this new thing.

How many of you are into a situation where you have to pay this nickel for every outgoing phone call?

Mrs. Moore: Four and a half cents.

Mr. Hartman: Ann is from Livonia, Michigan, which is in the Detroit metropolitan area, and maybe it's something only Michigan Bell does.

You are the only one who raised their hand. So maybe it is something peculiar to Michigan Bell system. But we're going to get it in Kalamazoo now. Our number of phones in our area have gone to a point where we're now classified as a metropolitan area, and by next fall we will be paying a nickel for every call that leaves.

Mrs. Moore: I don't know if anyone will ever get to this kind of a contract. What we have tried to convince people to do is we have time share computers that are on telephone service and they could dial out ten times an hour. So we have asked them to hook up once and keep that line open, because this is saving us money. I sure hope that none of you are faced with this, because it's turned out to be a real headache.

Mr. Hartman: Another session here was word processing systems. Most of us as junior/community colleges are small, relatively speaking, but with a show of hands again how many people are using word processing?

Mr. Freeborn: We have a word processing center, but I think that calling a function a word processing center would be a different connotation in different people's minds. I attended that seminar and they were speaking about specific systems purchased from IBM that they called a word processing center. Ours is merely a gathering together of reproduction facilities, mail room and so forth, in one location where it is all there, and we call it that.

Mr. J. Sirera, Essex Community College: We don't have a word processing center as such. We have the mag card word processing center already in our business division, and they use it as a teaching aid and are trying to make it available to secretaries in the other divisions to use for specific times that the machine isn't used for teaching; and I had frankly reached the point where I have had it from hearing about word processing from IBM. There are other people in the field, I want to hear what they say on the subject. But we've had the problem of our IBM salesman interested in mag card had got to the point where he now was running all over campus and very anxious to do a study for us. Once they make that study, you know, you're going to buy their equipment. So I told them to give us six months, let us do the study. We've got the machine now, it's available for different secretarial areas and it will give us a chance to see whether anybody is using it in any other areas. If there's a real need, they'll pick it up. And if there is a need, then I would prefer that we purchase this by an administrative decision for the college rather than a division. So what comes out on this thing, we won't know for another few months.

Mr. Stuffelbeam: I'd like to know how many of you have a system of where each faculty member can pick up the telephone and dictate to a word processing center and dictate to a secretarial-clerical pool? How many of you have that, and if you do have it, how is it working? (Three)

Mr. French: We have a sacred cow in our district, and that's IBM is the largest taxpayer. So when this word processing system came out they approached our president and put one in for us and we were billed half price, supposedly. It works very well. The faculty does pick up the phone and dictate. The quality of the work is great. We couldn't get the division itself to release any bodies, and still that secretary in the division was a must; so we added costs to our overall operation. I think if it was done properly, perhaps if you were going in a new building or something and you weren't staffed, you could probably lower some costs. But we didn't find any savings in costs. The quality of the work is great and it does work very well.

Mr. Maxwell: We had a system, Edison, and for us it didn't work. In fact they wouldn't use it. So we took it out and replaced it with individual — they had their secretaries anyway — dictating machines, and for us it's working out much better.

Mr. Hartman: Our experience was the same as yours. We put it in. As a matter of fact, you could dial in at night through the switchboard and it would record at night, and the secretary would come in in the morning and any messages would be there. But we had no one using it, and it wasn't worth the $70 a month we were paying, so we also ditched ours.

Mr. Trouteaud: Again, we probably have a little different situation with hospitals, but out of the 15 hospitals we have seven centers, and all the doctors in those hospitals do use the dial-in record system; and each of those locations does have a word processing center. Four of them are IBM, and two of them are Dictaphone, and so far the reports are that they are exceptionally good in both cases, both brands.

We have a little more unique situation I think because they dial in 24 hours a day and they are medical records. Accuracy is of major importance, so the IBM system does work well having mag card and mag tape systems in being able to make corrections and spit out corrected copy with perfection.

Mrs. Maureen Raine, West Valley Joint Community College District: We don't use it for our faculty. But we do have it in the counseling offices. And it's only worked up to the point where the counselor can dictate because it's a mag belt right now; but we're in the process of moving into a new building and we're getting a continuous loop. I think that will solve the one problem we have that if the girl is sick or out to lunch and the two units are full, you're dead. But it's worked very well for them.

The new system we are looking at for our new campus will encompass some kind of a mag card or mag tape in it. I was very impressed recently, the Savin man came out recently and showed me his tape. It's a cassette, not a card. But when you unplug it, you can move it around the office and the typewriter is still usable. So you can take the portable unit. We have one in the personnel office where she could plug her tape in, run them through, and when she's finished and I've got some purchasing things I want to do, I can plug the unit into my typewriter and she can go back to doing regular typing, which has an advantage.

Mr. Crawford: A different kind of thought on this. I was reading an article the other day about a firm that makes motor homes and they found that they increased production 26 per cent when they allowed men not to do a piecework type of work, but to work on the entire unit. Meaning make a piece and then go install

it in a unit so they could see the finished product. And I personally believe we're into a cycle of trying to delegate certain tasks in certain ways and this is part of our problem with our high morale factors. People are getting less interested in the finished product. My own feeling is that if you can keep a lot of those tasks back at the groundwork level, you may not do as many but I think in the long run you may do a better educational product.

Mr. French: We did find that we had a tough time staffing our word processing center and we are now using all handicapped people because they're geared to staying in one place for eight hours.

Mr. Hartman: The routine nature of the work. We have a mag card that is in the faculty area that they put their exams on, their syllabus. From a purchasing standpoint it's worked very well, because it was a good psychological thing for the faculty to have this and be the only ones that had it. What grieves me as the purchasing agent is to see the costs for the IBM mag cards. But we are paying a dollar a card for our mag cards, and you know that the faculty does not always use them wisely, so you know they're getting used for exams they probably will never recall or use again, yet they'll do it to be safe. So there is a tremendous material cost.

Mr. Trouteaud: There are other competitive cards on the market that run around 45 cents. Memorex.

Mr. Hartman: They had a session here, of course, on OSHA. In Michigan we are not yet state-approved, and being a state institution we abide by the laws of the State of Michigan for health, safety, so the OSHA laws per se do not apply to us at the college, our college level. There are probably some people here who have states who have come in compliance with OSHA. It might be worthwhile to share few of the problems, a few of the pitfalls that one might avoid by being prepared for OSHA. How many are under OSHA requirements right now? Five.

Would any one of you five say if this has changed your purchasing procedures? Did it obsolete equipment you had and you immediately had to replace — ladders, for instance?

Mr. Maxwell: We're just getting under it, and on our campus it's under the direction of our physical plant director.

Mr. Hartman: Do you expect any inspection in the near future?

Mr. Maxwell: Well, that's something you never know. In fact it's against the law for anyone to tell anyone that they are coming. They just walk in and take an inspection.

Mr. Hartman: The Upjohn Company, which has headquarters in Kalamazoo, Michigan, the pharmaceutical house, of course being a profit organization, had to comply with the OSHA requirements immediately. And in talking with their purchasing people out there they spent an awful lot of dollars in getting rid of things and replacing with items which meet OSHA requirements. I mentioned the ladders because this one really hit them. They had to get rid of 50 or 60 ladders, and they couldn't even give them to charitable organizations within the community. I suppose employees ended up taking them home and using them at home, but they didn't dare take the chance of giving this out because then if something did happen, they had to meet federal requirements. They just didn't want to face the lawsuit.

Mr. French: One thing we did was incorporate in terms of our bid terms and purchasing order terms that the sale or prospective sale would incorporate all the OSHA standards. We did hear about one from one of our sister colleges where they bought some metal-working equipment and the noise level output was greater than the OSHA standards would allow and they were stuck with it.

Mr. Hartman: And the noise level is another thing that frankly I hadn't even thought of. But it evidently is a part of OSHA requirements.

Mr. Freeborn: Another one that would involve colleges in particular is the standards for gas storage. I was with Arizona State University and they came in and said we had to put two-inch flameproof, burn-proof, explosion-proof partitions between any two gases that were stored that might combine and cause an explosion. And this is expensive and it's also very space-consuming. We had what we thought was a good deal where there were stanchions and they were chained to the walls, but there was no barrier between them other than just pipes. And this wasn't satisfactory at all.

They said, "We'll give you time, but it has to be done." And this is expensive and takes a lot of space, and planning it for an old building is a rough one.

Mr. Hartman: It has some real budget implications that I suppose purchasing in many cases the physical plant is usually more directly involved with safety things. But these two people should certainly be in communication with one another.

Mr. Johnson: I proposed a question yesterday to the gentleman from OSHA regarding students in the shops in crafts; and students will fall under the program according to him. So in your crafts area and your ceramics, your fine arts people, you want to make those people aware of the fact that you can pretty well get to the instructor, but controlling a student working with a piece of machinery is going to be something else. You might meet all the requirements of the equipment, electrical conduit, what have you, but having those kids on the machines is going to be something else, wearing goggles and safety equipment. So that will be of concern and they do fall under this category.

Mr. Hartman: Those of you who have fallen under this, have you had to get rid of equipment? Have you had any loss?

Mr. French: We had to get rid of a number of ladders and some antiquated guardrails we had to replace, and a number of steps and ramps which we had to rebuild. We have required with the OSHA requirements and, of course, being a state agency we were hit first by our brother inspector and I think he was a little bit rougher than need be.

Mr. Hartman: I would think state inspectors can be very helpful. The fire people are in with us all the time, and our people are working with them to get some warnings ahead of time when we do really have to comply. So be sure you take advantage of your state people who are now inspecting you in getting their ideas so you can start planning for this.

Mr. Johnson: I would recommend that you take this very seriously, because whether you're state-approved or not, if you have a serious accident and a death is involved, OSHA will come in whether you're state-approved or not. And once they get in your house and if it's reported, they're going to make a thorough investigation of the entire house. And the State of California, I believe now, Don, is just about approved and accepted?

Moderator Harmer: That's right.

Mr. Johnson: And we're going to be involved, and he stated yesterday that when they start they're going to start with the schools. And it's just not long in coming.

Mr. Stuffelbeam: I don't know if we come under the regulation, but we do have a safety man on our staff and we are following the regulation. We had to change ladders, as one gentleman mentioned here, and also we had to change railing on the mezzanine from 35, or whatever it is, to 42 inches, which cost us a considerable amount of money. Also I heard on the radio the other day a contractor

complaining about OSHA going down to the extreme of him having to change toilet seats to split toilet seats. Hard hats had to be worn anywhere where you have equipment over 60 inches tall or something like that; that would mean that if a student went into the library he would have to wear a hard hat. (Laughter)

Mr. Hartman: Well, it's the ramifications I think that really scare us, how far they're really going to go on this. Roll-over equipment is one, if you have any heavy equipment where it is possible to roll over a caterpiller or a front-end loader, I understand the structural specifications are just out of this world and it's going to cost you probably $1,500 to get into OSHA compliance on roll-over bars, et cetera. Of course, many people have argued that, you know, they have overreacted or over-spec'ed many of these things. You can have that reaction, but if Uncle Sam says that's the way it's going to be, I guess that's the way we're going to have to play the game.

Mr. Johnson: Now, NACUBO put out a check list that's one of the best that they put out. I recommend you get ahold of it. If you're not members, certainly by writing NACUBO you could pick up that kind of information.

Mr. Hartman: Environmental problems was another session.

The thought came out that the NAEB group should probably be taking some kind of stands or making some recommendations, and let's have the colleges and universities be leaders in cleaning up our environment, by our buying procedures being the right kind of things that will help with using recycled products wherever we can.

Unfortunatelv, it's a long way from being put into a form where you can say here's things that I should consider in any future purchases. Mr. Zierold of the Sierra Club picked out that when you buy an automobile for your college, be sure you get one that will give 20 miles to a gallon; because obviously the more gasoline per mile you burn, the more pollution you're putting into the air.

The Weyerhaeuser Paper Company has made an extensive report that we're better off not using recycled per se, or setting a standard that every state have 60 per cent recycled, because the paper industry has taken steps over the last several years to reforest in a very practical and yet ecological manner; so that for every tree they take out there's another one coming up. Of course, there's some selfish motivation in them doing that, too. They need the pulp into the future, so they've set up such a program. I do know, because I was in the paper industry until the last few years, that there is a concerted effort to be certain that they conserve the woods; so I frankly am not a big follower of recycled papers. I just cannot see paying more when I know the paper industry is doing a good job. I continue to buy whatever sulphite paper has the best price and will do our job for us.

Mrs. Sokolski: We're fortunate in being along the banks of a river in New London. We have our own sailing fleet, which we utilize in the summer.

Six Explorer class sailboats, which have become part of the physical education program. We have a beach front on which we have a dock that has been in, say, for about 15 years. The beach front is about 120 feet long. We wanted to extend our dock and increase the program in a sense.

We have a neighbor on one side, a neighbor at the other end. We made our application for an extension of the dock, and one neighbor replied, "Fine, beautiful, no objections." The other neighbor started raising all the questions of the environment, the fact that the dock would hold in debris and everything else. It went to the state environmental group, too, which is headed by Dan Lufkin. The Corps of Engineers in our New England area had no objections to it. The State En-

vironmental Control Board wound up giving us a no answer on it. What it boiled down to is Dan Lufkin wrote us and said, "I don't think it's okay," and that was the end of it — without giving us an opportunity to present our case.

Later, in speaking with the neighbor, we found out he wanted us to do a little work on his wall. So I say the fairness of the environmental — without actually giving us an opportunity to present our case, I think that was wrong. It seemed to be a personal thing in a sense that, "I as the head of the environmental group think that this is no good," and that was the end of it.

Mr. Hartman: It seems to be one of the pitfalls of the environmental program is where it can lead. If you decide that something should be done, but it has such an effect on other things that you have to keep backing off.

Mr. Trouteaud: We've saved a tremendous amount of money in operation costs by going to disposables and cutting down on electrical power use, putting in soaps and detergents into water streams and things of this nature, or into the sewage systems. But it has created another monster, of course; what do you do with the disposables? I don't have any answers, but we've run into reprocessed paper, we've run into plastics of all kinds, we've run into metal for needles and needle tips which are not reusable — and what do you do with them? We've got many, many suggestions that have been offered to us, we've got many companies that take items back, but it still doesn't correct the problem or give us an answer of what to do with this tremendous pile of throw-away materials that you get out in the back of the hospitals every day, and are hauled away and some of them are hauled to dumps, some of them are incinerated, and other products because of state laws and health care acts we are not allowed to put into the disposable package and must work other programs out to dispose of them. But it is a big problem that it's a big savings in one way but it gives you a big headache in another.

Mr. Hartman: A lot of salesmen come in talking about compactors. It opened up that whole field. But here again is the ramifications, you think you have a solution and it causes another problem.

Moderator Harmer: At Santa Barbara, we've discontinued plastic cups and styrofoam cups. And the other thing we're doing is getting about $4,000 a year by getting all the departments to throw all their tab cards in a box just outside the door and their ledger print-out. That's very easy to recycle. It's very easy to pick up and make a storehouse delivery. We've also bought a thirty-eight-hundred-dollar compactor for the students to take newsprint from the community next to us called Isla Vista where there is a tremendous student enrollment. But the saving of tab cards and ledger paper and a lot of you I'm sure are doing this, can regenerate money back into the system.

Mr. Hartman: Our students got on the tick about all the paper we waste in our wastebaskets. So I called the old paper company I worked with there in Kalamazoo and said, "Hey, can you back a truck up here and we'll throw in our waste and we'll do as little sorting as you will let us get away with, but our physical plant people are willing to do a little bit to keep the students happy." They said, "Yes, we'll bring it over every Saturday and pick up what you've got, put a semi there and come back Monday and pick it up."

So we got the things worked out and then the fire marshall happened to be through. And the physical plant guy said, "Hey, we want to put this paper here until Saturday," and the fire marshall said, "No."

We physically had no way to go without adding a great deal of cost, so we had

to throw in the sponge and just say we economically cannot mess around with that paper.

Mr. Frank S. Harter, University of California-Berkeley: I've gone a step or two further and thrown on such stuff as our metal scrap and obsolete or broken-down equipment, plus tab cards and printouts, and we've got the chancellor to give us that money for that. We just can't find this new money that we are required to support this kind of a program. And we think our little income, I think it's around 15, 16 thousand a year, so we hope we'll get a compactor for first radioactive waste, and then secondly our paper waste, so the material can be compacted and the cubage made smaller so it's easier to handle both by us and by the salvage people. We hope that income will begin to support part of this program. We're also using quite a few OJT people, on-the-job training, in this sorting program. That's the big headache. I just made a contract for our nine campuses and I have a dickens of a time on these computer print-out people, the carbon. This becomes quite a problem.

Mr. Hartman: Salvage is interesting to keep in mind. Many things are salvagable with a minimum amount of trouble, and you mentioned it's going to cost money to do some of these things. But we again probably should be leaders where we can, and not followers in educational institutions, and start thinking of some ways that we'd better set aside some dollars and start doing some things, and get some of the dollars back by checking with salvage people in your area to find out what is worth dollars back in your pocket.

Mr. Johnson: Our students entered into a joint agreement with the City of Cupatino and the Junior Chamber of Commerce to establish a recycling collection point. We did this three years ago. The student activities backed the financing of it. We purchased four huge containers. I recently sold those containers about three months ago. The student activities paid something like $1,200 for them. I went to bid and sold them about six months ago for $590. We've got a monster over there now that we're going to have to tear down. It's completely falling on its face. So you want to use caution when you start in this particular area.

Mrs. Raine: If you don't have a big biology department but you have dead cats and fetal pigs, do you have a way to dispose of them? I don't have enough to call a company to come out and pick up the bodies when they finish dissecting them, but it's not legal to put in the bodies and you can't burn them in college.

Mr. Harter: Maureen, there is an approved type incinerator that the people will approve in California.

Mrs. Raine: When I contacted them they said nothing on it. And I can't find a garbage disposal. It will take the bones, but it won't take the skin. So somebody would have to sit there and cut them up, and that's not a way to get rid of them either.

Mr. Hartman: We can burn in Michigan, so I can't help you out. We have an incinerator that is rated properly, and they go up in smoke and that's absolutely a very easy way to do that kind of thing. But it doesn't help you.

Does anyone here have any subjects that they might have brought in that they want to get into?

Mr. Johnson: I'd like to find out if they're having a problem with the paper industry, and with your bid for your papers, and what is happening in this area.

Mr. Trouteaud: Being from the State of Wisconsin, we're very, very conscious of paper products and paper mills, as I'm sure California is. Because of the environmental problems and the pollution situations that exist, we have two major paper mills that have closed in Wisconsin. Not because they wanted to go out of business,

but they cannot afford to revamp their plants and their disposal systems to adequately protect the water, the rivers and streams in which they were disposing of their wastes.

The paper shortage is not a gimmick, it's an actual fact. It's production capabilities that we're losing, not the wood pulp, not the reprocessing of paper, it's just production capability. And I have just recently heard of four other mills that are going to close nationally for exactly the same problem. The mills that are staying open are going into fine paper business, and to secondary class, carpet paper, for instance, areas because there's more money in it. So you do have a paper shortage.

I would strongly recommend that don't get into the bidding process of jumping from paper company to paper company, because you're going to lose. Get with one and stay with them. Obligate yourself. They'll still give you a good price; but obligate and state that you'll stay with them for three years, or whatever period of time.

Mr. Hartman: Kalamazoo is a very big paper city. We have probably six paper machines that were going five years ago that they just aren't going now. And they could now, if they didn't have to worry about environmental problems, probably start up and get back in. Because the whole bond mimeo duplicator area that we are particularly concerned with for our volume is suddenly not there. We're going to be lucky to find a mill who will do it. We again joint bid with the City of Kalamazoo and the county, our schools. Of course, the public schools are the big users so we all sort of latch onto them.

But where we had six bids last year, we got two bids this year. And one of those was Xerox — and don't forget that source. Xerox because of their contracts with several paper mills are still going to be able to get some paper for a while, and their price was much more competitive this year than it ever had been. A few people have actually turned to Xerox, because paper merchants could not get paper from their regular source, mill source. They don't want to make it. They're going into the fine paper or higher profits papers.

Mr. Johnson: I received only one bid this year. It happened to be on Boise Cascade. None of the other mills bid at all. And we had a 25 to 30 per cent increase in cost on all paper, and they "no bid" the dupe; they don't want the duplicator, and they don't want the book three, they don't bid this. I am now back out to bid again just for those items for immediate delivery, if I can get them. And I have to take my entire year's supply within 60 days, so I'm going to have paper stored on the docks covered with tarpaulines, and hope to hell I can get it inside before winter.

Mr. Trouteaud: Boyd, I might mention that watch the Wausau Paper Mill, just for the length of time they're going to be in operation. They're one that's running into a problem. They do have a supplementary method of taking care of their waste-paper at the moment, and they are reprocessing it into a particle board, which is a very light texture. But they have run into a little bit of a problem there in some of the acid and they can't clear all of the acids out of the particle board. So all of the particle board that they have made in the last several months is being recalled, because they're getting burn-throughs of any material or finishes that are put on top of it. So they may have a close-down situation.

Mr. Hartman: That's how marginal this paper thing is right now. Many mills are hoping they can get by this next year so they can stay in business. Because they know the dollars are there for them now, if they can stay in business, maybe put some money back into their equipment and their effluent to keep them in compliance with the Waters Bill.

Mr. French: A-B Dick and Addressograph/Multigraph get the paper very big in our area and they're giving very good prices.

Mr. Hartman: This would be the same kind of contract that Xerox would have, and they may be all right until they renegotiate their contract. And I suspect that Ditto and A-B Dick are going to be into this. So if you do have those kind of contacts, I would heartily recommend you get in touch with them.

Mrs. Raine: That doesn't always work though. We've been buying from one paper mill for quite a long time. We called them to get some more paper, put out a bid, and they didn't turn back a bid. So I called him to find out what was wrong, and he said, "Well, we're on strike right now, so I can't even discuss it with you."

A few weeks later the county went out to bid. Zellerbach was one of the three bids, and they were low and they got the bid. But we're going to pay 92 a ream, and they have a maximum, not a minimum but a maximum you can place on the order.

Mr. Hartman: So there would be your percentage you were talking about increase.

Mr. Johnson: That's absolutely correct. And they placed other requirements on it that you must order in even pallet lots; 440,000 pounds, but also your pallets must contain I think it's 400 reams, 40 cartons per pallet. Now you're ordering 300 reams of bond, colored, so you either have to increase or cut it out altogether.

I'd like to change the subject and find out how many of the community colleges here have joint agreements for regional purchasing within their groups or areas? How many are doing regional consoliated purchasing?

Mr. Judson: I belong to a group of buyers that are composed of the 12 state universities, the four community colleges within the State of Ohio, and the 16 technical institutes. We write a lot of contracts that are used by that group, and then available to us are the contracts that are negotiated by the State of Ohio Department of Finance. We meet once a month in Columbus, Ohio, with a prepared agenda and a problem clinic; and the representative from the State of Ohio is there to raise hell about the way the contracts are used and abused. But it works very well for us. We have no problem. We report to the State of Ohio on a monthly basis, and to the consortium on a monthly basis.

Mr. Hartman: How about the standardization of products? How did you fight that battle?

Mr. Judson: We had the problem for a while; but when the bids for the State of Ohio go out, the data is sought before the bids are put out and it's a group thing, and everybody feeds data to it.

Mr. Johnson: You must pre-qualify, then?

Mr. Judson: Yes.

Mr. Hartman: What if something that the group goes out for just doesn't fit you at all? Can you get out?

Mr. Judson: Yes.

Mr. Johnson: We have a regional that was formed about two years ago that consists of the cities, the county and the state, all of the areas. We have a committee set up to do buying on major contracts, paints, traffic supplies, paper, tires, all the commodities. And you feed your specification into one of the purchasing agents who is a member of the region. He then puts the bid package together and goes to bid for everybody that's involved.

Mr. Hartman: Excellent way. That's the way we work it in our county area.

Each person takes an item so no one gets stuck with all the bidding documents coming in. Unfortunately, a lot of the commodity items are in trouble now, so we're not gaining much.

Mr. Sirera: Let me ask a question. Optical scanning equipment for source documents. We picked up, a few months ago it was negotiated before I got into the position, or got a lease for an opt scanner, it's a little unit. We're only paying about $383 a month, except I haven't paid a few months' bills on it. It's been in the corner for three months, they cannot use it and will not use it. And it's one of those things that the contract is valid one year, it cannot be cancelled before a year, and we're going back and forth with the representatives of Opt Scan and getting nowhere. Everyone comes in, it's always a different man, and he tells us the blessings about Opt Scan and how it works and all the other type of jobs it can do. We get back to the same point and we finally get him back on track again. We leased this thing to be used only for admissions, and it was leased with the idea that it would work and it would do our job; and that it would do the job with the same type of accuracy as a keypunch person keypunching without verifying. And that's supposed to be something like two to five per cent accuracy or something.

Now, as we pinned the representative down, we have had no contact with the company now for about five or six weeks, since the last go-ahead between I and the director of admissions and the representative, because I had asked a couple questions on the accuracy. It troubled me. We have an admissions form that has a hundred characters on it, and when we finally got them to pin it down they're talking about two to five per cent accuracy in characters. Now, that means anything on that admissions form from two to five character errors on the form is still acceptable.

I say, well, okay, go back to a keypunch. We're talking about the same thing, two to five character errors. But this amounts to like one error on a card, which comes out to be I think around 250 cards, and one error is typical accuracy for a keypunch girl. Now we're trying to get out — we're not using the word misrepresented on the thing, but it's damn hard not to say it. I wonder if anybody has had any experience with the optical scan?

Mr. Maxwell: I haven't had any experience with the optical scanner, but I think sometimes that we waste our time. If we don't get a satisfaction from the representative, forget him. Go to the top. We had an example with an A.M. 2000 Copier, it was giving us lousy copies. We had that serviceman there any number of times to correct it, and he couldn't or didn't correct it, and the salesman, we were on him. Nothing happened. This went on for months. Finally I called the head office and talked to the manager, and I said either you take care of this, or take it out, we don't want it. And he says, "I appreciate your calling me, this is the first time I was aware that you had a problem. By next Monday morning you'll have a new machine on your campus." And he did.

I think a lot of times we waste our time talking to the salesman, that's as far as it goes. He doesn't follow through.

Mr. Sirera: We've tried as far regionally as we can go on this. But we get the standard pitch, the immediate thing is what the machine can do. And we are continually given new leads. We've gone through leads through all of Maryland, we've gotten Virgina, we've gotten into Pennsylvania. Every time they have a lead, we contact these people and Shippensburg State College I think in Pennsylvania gave us a lot of information. We did not ask them the one embarrassing question that was kind of obvious: Did you buy the machine? And we're pretty sure that they

bought the machine and this is why they're stuck with living with it.

But we had the courtesy not to ask that question because the man is having trouble with it. What they have done on this thing is taken all these admissions forms and hired a person just to handle these forms now. The work that the key-puncher would automatically do is done by a secretary who takes each one of these forms, carefully looks at all the markings, darkens out what may not be good markings on each of these forms. This is complete wasted time.

Mr. Trouteaud: I recently left Macomb County Community College where we did have opt scan, we had a one-year contract on leasing the equipment. We fought it through the quirks after having it for 90 days, and finally allowed the piece of equipment to sit out on the dock; wrote them that we were going to do so. We would fulfill the lease agreement, if it was — if that's what they wished us to do in paying the monthly rent for the year, but it would sit out there on the dock. We told them that that's all we were going to do. About 15 days after they received that letter, they picked up the equipment.

Mr. Sirera: Did you pay out the contract?

Mr. Trouteaud: No.

Moderator Harmer: One thing you can do when you go to the top we use, we call them collect. And that usually rings some bells back there, whether to refuse you or accept you.

Mr. Trouteaud: Just because a contract that you receive or a lease agreement that you are going to sign says that it has to be for one year, it doesn't mean that that's the case you have to sign it for one year. Sign it with the exception that it's going to be a 90-day agreement, period. Or add the cancellation clause, and if they don't give it to you that way don't take it, really.

Mr. Sirera: Well, what happened here, if I may just give a little bit of history, admissions had all the contact with the sales representative and was left with the thing, you know, "Try it, you'll like it. We'll get a lease out and go ahead and try the thing."

Mr. Trouteaud: Who signed the lease?

Mr. Sirera: The business manager. That went straight to him. And he knew it was acceptable, picked up the phone, "You taking this thing?" "Yeah," he signed it and sent it in.

Mr. Hartman: Another agrument for a professional purchasing agent.

Mr. Johnson: Let the department pay for it. They bought a bill of goods without checking it in the first place.

Moderator Harmer: We do have to adjourn now. I'd like to thank Boyd Hartman for running a very fine program, and thank all of you for attending.

. . . The 52nd Annual Meeting of the National Association of Educational Buyers was then adjourned at 10:25 o'clock, a.m., Thursday, May 10, 1973, until May 1, 1974, in Miami Beach, Florida . . .

TREASURER'S REPORT

NATIONAL ASSOCIATION OF EDUCATIONAL BUYERS
BALANCE SHEET

JUNE 30, 1973

ASSETS

GENERAL FUNDS			
Cash on Deposit:			
Operating Fund		$ 9,022	
Savings Bank Accounts		60,331	
Petty Cash Fund		100	
Miscellaneous Receivables		510	
Total General Funds			$69,963
RESTRICTED FUNDS			
Certificates of Deposit — Pension Reserve Fund			19,800
TOTAL ASSETS			$89,763

LIABILITIES AND FUNDS

GENERAL FUNDS			
Payroll Taxes		$ 979	
Dues Received in Advance for 1973-1974		3,229	
Accounts Payable		14,867	
General Reserve:			
Balance, July 1, 1972	$43,745		
Add: Excess of Income over Expenditures for the Year Ended June 30, 1973	7,143		
Balance, June 30, 1973		50,888	
Total General Funds			$69,963
RESTRICTED FUNDS			
Pension Reserve Fund			19,800
TOTAL LIABILITIES AND FUNDS			$89,763

MEMBERSHIP SUMMARY

	July 1, 1972	July 1, 1973	Change
$70.00 Members	807	802	(5)
$35.00 Members	675	696	21
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	1525	1543	18

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Syd Jameson, Departmental Bus. Mgr.
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